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**13 August 1985**

# **East Europe Report**

**ECONOMIC AND INDUSTRIAL AFFAIRS**

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13 August 1985

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

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CZECHOSLOVAKIA

CSR STATE BUDGET AND FINANCIAL POLICY FOR 1985 DISCUSSED

Prague FINANCE A UVER in Czech No 2, 1985 pp 73-78

[Article by Eng Jaroslav Tlapak, CSR minister of finances: "CSR State Budget and Financial Policy for 1985"]

[Text] Basic Characteristic of the CSR State Budget for 1985

The CSR state budget for 1985 proceeds from the tasks of the Seventh 5-Year Plan which made concrete the directive of the 16th CPCZ Congress. It also implements the following tasks from the subsequent plena of the CPCZ Central Committee.

The 12th Plenum of the CPCZ Central Committee assessed the fulfillment of the tasks of the Seventh 5-Year Plan, in particular for 1984. Our economy is gradually adapting to more challenging external and internal economic conditions. In 1984 the dynamism of our economic development was stepped up and our economic balance intensified, due in particular to improved qualitative indicators and to better efficiency. Consumption of raw materials and energy in production was decreased.

Next to the overwhelmingly positive trends, certain chronic problems and shortcomings are still evident in our economic development, especially in practical implementation of R&D achievements in certain sectors, in capital investment, in supplier-consumer relations and in supplying goods of required structure and quality to satisfy consumers' demands. The decline of efficiency of our foreign economic relations is adversely affecting our financial management.

The CSR state budget for 1985 proceeds from the experience gained thus far in the fulfillment of the Seventh 5-Year Plan and in agreement with the decisions of the 12th plenum of the CPCZ Central Committee, it vigorously helps promote positive trends in our economy, maintain the dynamism of our economic development, and accelerate the program of intensification and exploitation of our unused resources.

In accordance with economic policies approved by the 16th CPCZ Congress, the CSR state budget stressed mobilization of budgeted incomes which depend on the dynamism of our production and on cost-cutting. Utilization of budgeted funds calls for maximum economic prudence and selectivity of purpose.

In 1985 accumulation of financial resources will rise relatively rapidly in the economy controlled by CSR governmental agencies. Resources to cover the needs of the CSR economy will be used at a slower rate.

It should be mentioned that as a matter of fact, current assets in the CSR state budget have not been able thus far to resolve certain long-lasting problems connected in particular with environmental deterioration, obsolescence of a major part of the technical-material base in our industry and with the neglected maintenance of our housing. In the period of the Eighth 5-Year Plan we must gradually begin to tackle these urgent problems with determination.

#### CSR State Budget and Efficiency

Profits accumulated in centrally managed state economic organizations of the CSR will amount to Kcs 41.8 billion -- 10.4 percent above the projected effect for 1984.

The dynamism of the profits stems mainly from intensification factors. The share of higher outputs in increased profits is 17 percent and of reduced costs is 83 percent.

The share of costs of materials (without depreciations) in outputs is planned at 68.69 percent, i.e., 0.86 point below the projected effect for 1984. The share of labor costs in outputs will amount to 12.14 percent, 0.07 points less than in 1984.

To raise profits as planned, all managing agencies must systematically search for effective ways to save materials, increase labor productivity and regularly fulfill their planned tasks. Without any compromise we must make certain that accumulation of profits be based on the production of goods of good quality that will find excellent markets in our country and abroad.

The decline of material costs is reflected in an accelerated growth of adjusted value added, which has exceeded the dynamism of total outputs. The fact that the share of profits in adjusted value added increased and the share of wages declined must be regarded as positive.

The CSR state budget presupposes that in 1985 the management of inventories will improve.

Current inventories contain ample unused resources which must be exploited in particular by enforcing a balance in the structure of the manufactured goods with the demands of consumers and users, and by balancing production with sales in the course of the year.

The planning of the development of inventories in our economic organizations of the Ministry of Industry and the Ministry of Construction proceeds from the premise that the absolute situation of inventories will be reduced in conjunction with the elimination of unused inventories which was completed in 1984.

The Ministry of Agriculture and Foods plans its inventories of agricultural type in accordance with the plan for agricultural production. The volume of nonagricultural inventories will stagnate.

In our domestic trade the volume of inventories is set in accordance with the planned balance of goods.

Because of higher overall efficiency the active balance of the centrally managed state economic organizations vis-a-vis the CSR state budget was 33.9 percent higher than in 1984; it will amount to Kcs 22.2 billion.

#### Incomes of CSR State Budget for 1985

Incomes and expenditures of the CSR state budget for 1985 are balanced and will amount to Kcs 151.7 billion. The volume of the budget was 2.3 percent higher than the projected effect for 1984.

Internal incomes share 52.1 percent of total incomes of the CSR state budget and grants from the state budget of the federation 46.9 percent. Due to the increasing share of internal incomes, the responsibility of CSR governmental agencies for the fulfillment of the state budget and for the balance of its incomes and expenditures was further expanded.

In internal budgetary incomes the share of incomes from the economy has increased and the share of incomes from the population has declined. For that reason the fulfillment of the income factor of the CSR state budget will be more dependent on the fulfillment of tasks in production and on its efficiency. Payments of state economic organizations, which are planned at Kcs 41.9 billion, have increased 14.2 percent. Payments from economic results are up 29.5 percent. Due to very dynamic accumulation of profits on the one hand, and on the other, due to the fact that instead of taxes on depreciations in industry and construction surcharge on profits was introduced for 1985 to skim off excess financial assets from the enterprise sphere. This tax is set at Kcs 4.1 billion. Taxes on depreciations which will be used to siphon off free assets in state economic organizations of other branches will amount to Kcs 1.4 billion.

Surtax on profits was introduced to help balance budgeted incomes and expenditures. By the same token, we should note that it does not intensify the khozraschet principles, in particular it does not stimulate interest in more efficient management. Therefore, we consider it a temporary measure only for 1985; we proceed from the premise that our tax system needs overhaul to balance state budgets and at the same time, to have a positive impact on the khozraschet economy in the enterprise sphere. Of course, this problem must be resolved expeditiously so that in the midyear we may have some idea how to skim off internal resources of enterprises without counteracting the Set of Measures and the elementary khozraschet principles.

#### CSR State Budget and Agriculture

The CSR state budget for 1985 is distinctly characterized by its active support for agriculture as an important stabilizing factor of our national economy. Organizations of the agrocomplex and JZD [unified agricultural cooperatives] will be granted Kcs 20.8 billion.

The 10th JZD Congress discussed and outlined a qualitatively new stage in the agricultural development -- the R&D stage, thorough intensification of agricultural production, dynamic upgrading of its efficiency in order to achieve complete self-sufficiency in the production of basic foodstuffs in view of their high per capita consumption.

In agreement with the decisions of the 11th Plenum of the CPCZ Central Committee financial preconditions have been provided for better management of our lands. Assets of the fund for amelioration were considerably expanded -- from Kcs 1.1 billion in the 1984 budget to 1.6 billion in 1985.

In 1985 our agricultural organizations will be granted noninvestment grants in support of livestock production in accordance with the tasks of the state plan or with contractual deliveries. This policy must be implemented with certain delicacy. In no case would we wish to undercut the initiative and interest of our agricultural organizations in the development of their production. The objective is to enhance the authority of the plan and the obligations of supplier-consumer relations in drafting plans for production and procurement as well as in their implementation. In accordance with the decisions of the 11th Plenum of the CPCZ Central Committee, it is necessary to stockpile mainly fodders and not final animal products.

#### Efficiency of Foreign Trade

The CSR state budget reacts to serious shortcomings in the development thus far, i.e., low efficiency of exports, particularly of certain goods, mainly those which are designated for the nonsocialist states. The tasks of the plan are being fulfilled by higher material exports but not with greater efficiency. The CSR state budget has earmarked for financial economic mechanisms in foreign trade grants in the amount of Kcs 7.6 billion, i.e., more than double the amount included in budget projections.

Problems of efficiency in this sector must be tackled consistently in order to ensure proper conditions for better use of national income in our domestic economy. For that reason we must increase pressures on economic calculations when planning the assortment and structure of exports. To stimulate the interest of manufacturing enterprises in efficient exports, beginning in 1985 we shall grant subsidies only up to the level of planned efficiency. In case of its decline it will be adversely reflected in economic results of organizations.

#### R&D and Investments

In agreement with the strategy of the 16th CPCZ Congress which was focused on higher economic efficiency, and with the tasks stipulated by the Eighth Plenum



of the CPCZ Central Committee, the 1985 state budget promotes measures for accelerated implementation of R&D in our production.

The state budget will cover Kcs 1.9 billion of Kcs 4.4 billion designated to underwrite noninvestment R&D expenditures.

During the planning and budgeting the Czech Commission for R&D and Investment Development, in cooperation with the CSR Ministry of Finances, reviewed the efficiency of individual tasks, especially those proposed for addition to the R&D state operational plan for 1985. This made it possible to assess whether the incorporation of individual tasks in the plan was justified, and thus, the exert pressure for speedy practical application of R&D achievements. The principle that financing from the state budget be terminated for tasks which had not been satisfactorily fulfilled or whose stipulated parameters had not been met will be consistently applied in the course of the year.

Prompt introduction in the production by means of capital investment is of primary importance for the implementation of scientific and technological achievements.

In 1985 the projected investments in Czech economy, including Action "Z" and individual construction projects, will amount to Kcs 65.2 billion, of which Kcs 25.9 billion for organizations centrally managed by the CSR government.

Financing of investments of the centrally managed state economic organizations is linked with total planned investment needs amounting to Kcs 31.8 billion.

Organizations will cover 75.5 percent of their investment needs, 19.3 percent of credits and 5.2 percent of budgeted grants from their internal resources.

Since taxes on depreciations have been replaced with surtaxes on profits in industrial and construction organizations, the share of depreciations in internal resources has increased and the share of profits was reduced.

Grants from the budget are higher because investments in economic organizations increased in direct financial ratio to the state budget, particularly in the branches of forest and water economy.

Quality in capital investment, as in any other area, must be strongly emphasized. Before each new investment project is approved, the existing fixed assets must be thoroughly surveyed to determine whether they are fully utilized and whether modernization or reconstruction would not be a better solution. We cannot be indifferent when the volume of production per Kcs 100 of fixed assets is declining. That production amounted in 1981 to Kcs 50.36 for the CSR, and last year to only Kcs 47.18, which is proof of continuing extensive trends in investment.

Another shortcoming is that a number of facilities put into operation have failed to meet their planned parameters. Thus, the losses to our economy in production and profits amount to billions. For that reason we insist that profits from new investments be projected in operational and financial plans

of the investors, in agreement with planned schedules for the start of operation in those facilities, with test runs and the stipulated technical economic parameter.

#### Public Consumption

The state budget and the budgets of the CSR national committees focus special attention on the fulfillment of their programs relation to the living standard of our population.

In 1985 the state budget, including the budgets of the CSR national committees, will grant Kcs 98.0 billion to main branches of public consumption, i.e., to social security, education, health services and culture. That amount is 2.4 percent higher than in 1984.

-The costs for public consumption include Kcs 2.4 billion to finance the social and wage regulations applicable as of 1 January 1985.

Expenditures of Kcs 61.3 billion are planned for social security. Nearly 2,900,000 pensions will be paid. Kcs 647 million will be expended in the CSR to raise pensions granted before 1 January 1971 and pensions on the lowest scale, including pensions paid to participants in the struggle for our national liberation. Thus living conditions of 850,000 pension recipients will be improved.

We earmarked Kcs 20.4 billion for the costs of medical insurance. That amount reflects a higher ceiling of net daily wages, which determines medical benefits and contributions for nursing care of family members. Such adjustments affect medical insurance of 1,800,000 working people in the CSR at the cost of Kcs 310 million.

We set aside more than Kcs 12 billion for direct aid to families with children and in support of the population growth. Here again adjustments were made in accordance with goal-oriented aid to population growth policies. Higher children's benefits and the introduction of maternity benefits already for the care of one child under one year of age will cost Kcs 928 million.

Kcs 16.6 billion of noninvestment funds are designated for education. The cost increased 2.1 percent over 1984 due above all to the enrollment in basic schools of children born during the population explosion of the 1970's. The costs of the reconstruction of the Czechoslovak school system are covered. Furthermore, we increased funds for open-air schools of which we earmarked more than Kcs 500 million from the state budget. Thus, we expanded opportunities especially for children from the [coal] basin in the North Bohemia kraj, from the Sokolov area and from the capital city of Prague to enjoy good natural environment.

We shall spend Kcs 17.1 billion in noninvestment funds for the needs of health care, i.e., 2.7 percent more than in 1984.



The costs of pharmaceutical products and special health materials have skyrocketed the most -- 7 percent. The demand must be urgently repeated that medicines and funds for their costs be carefully used and not uselessly wasted.

Noninvestment expenditures for culture amount to Kcs 3.0 billion and ensure the financing of basic cultural-political and educational programs of that branch.

Demands of good economy and efficiency apply to cultural areas as well. It should be self-evident that each cultural institution, group and every individual must honestly meet their obligations for which they are paid.

Our demand addressed to agencies, managers and other employees engaged in public services is clear and comprehensible: work and act as true socialists, use the funds entrusted to you efficiently, considerately, intelligently and carefully. Even in this area we cannot, and will not, permit in the future any waste.

#### Budgets of National Committees

Budgets of national committees in the CSR are balanced; their amount is Kcs 78.9 billion, i.e., 2.6 percent more than the effect projected for 1984.

The budgets offer financial prerequisites for the fulfillment of political-administrative, economic and cultural-educational functions of national committees. In particular, they provide space for the implementation of election programs of the National Front.

The state budget emphasizes that the main concern of national committees must be mobilization of their own incomes.

When fulfilling the decisions of the Sixth Plenum of the CPCZ Central Committee, our financial authorities insist on better and more diversified services and on higher receipts from the public. We regard the development of services for pay as an important stabilizer and a factor which positively affects the development of our currency.

In agreement with the decision of the CSSR Government, the fulfillment of meaningful societywide policies within the framework of Action "Z" will be promoted and prompt completion and delivery of finished construction projects to their users will be emphasized.

Our objective is satisfaction of the needs of Prague, our capital city, of North Bohemia and North Moravia krajs, and of Brno, and the solution of territorial problems stemming from the construction of nuclear power plants in Dukovany and Temelin.

Towns with populations over 50,000, in which more than half of the population of the CSR is concentrated, will have priority in using the funds of the budget.

Funds for the development of preferred branches for services to our public (cleaning, waste removal and disposal, public greenery and public lighting) will be given priority.

Internal incomes and other internal resources of national committees amount to 35.1 percent, and assets transferred from the CSR state budget by means of nonspecified grants and specified subsidied amount to 64.9 percent of the income base of the budgets of national committees.

Expenditures for capital investment of economic, budgetary and contributory organizations (including comprehensive housing construction) amount to Kcs 18.2 billion, and noninvestment expenditures (including state contribution to cooperative housing construction and costs of major overhauls of surface communications) to Kcs 60.7 billion in the budgets of national committees.

According to projections, noninvestment expenditures of budgetary and contributory organizations managed by national committees will equal in 1985 Kcs 47.4 billion. Such costs are specified in the budget for 1985. In past years certain legitimate needs of national committees had not been included in the budget and their financing was determined only in the course of the year, which strained the relations between the state budget and the budgets of national committees. The provisions for the needs of national committees in 1985 have been raised partly by mobilization of internal incomes in other sectors of the CSR state budget. The purpose of this measure is to consolidate mandatory relations between the state budget and the budgets of national committees. Here we presume that national committees will respect societywide considerations, improve their management, maintain discipline in budgeting, and show initiative in creating and using supplementary resources.

#### Summary

At the 12th Plenum of the CPCZ Central Committee Comrade Gustav Husak underscored: "Our economy has the necessary resources and prerequisites to produce more and better goods, and also to satisfy the needs of our society better and more generously. Our economic potential fully justifies our expectations that the tasks of the plan for next year and the tasks of the Seventh 5-Year Plan as a whole be fulfilled and exceeded in a desirable way. This is a matter of honor and of public responsibility of every enterprise and factory."

The state budget for 1985 fully reflects this approach. Its primary emphasis is focused on higher efficiency, better management in the production and non-production spheres, and on the fulfillment of policies which truly promote a dynamic and balanced growth of our economy and which, on that basis, enhance the living standard of our people.

The fulfillment of the objectives contained in the CSR state budget demands that the ministries, national committees and budgetary organizations and financial agencies direct their attention on cost reduction, consolidation of the relations between outputs and wages payable, on prompt implementation of R&D achievements for practical use, on the solution of problems of capital investment, on more rational exploitation of production assets and inventories, and on more lucrative foreign economic relations.

9004

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13 August 1985

## CZECHOSLOVAKIA

## MAY 1985 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech No 26, 1985 p 2

[Commentary by Engineers Marie Hormannova and Alena Polakova, Federal Statistical Office: "May 1985"]

[Text] The national economy's development in May ties in smoothly with the results attained since the beginning of this year. At the same time, the number of workdays in May, and also from January through May, was one less than during the same periods last year.

The planned tasks were fulfilled well in industry and construction, and the procurement schedule was also overfulfilled last month for all principal livestock products. Freight transportation, and rail freight in particular, encountered some difficulties with fulfilling the plan.

Gross output in industry in May was worth 58.6 billion korunas, 0.2 percent less than in May of last year. However, growth of the average daily output (in view of the lower number of workdays) approximately maintained its previous rate of 3.3 percent. Overall, the economic plans for industrial production in May were fulfilled 100 percent, although more than a fourth of the industrial enterprises fell short of their monthly production targets.

During the first five months, the volume of gross output increased by 2.7 percent over the same period last year; and average daily output increased by 3.6 percent.

Above-average increases in output, and overfulfillment of the economic plans for January through May, were reported in the clothing industry, heat and power generation, and nonferrous metallurgy. Enterprises of the engineering ministries likewise attained high increases in output but fell short of the economic production plans for the period. Especially the general engineering enterprises reported low plan fulfillment for the five-month period. Overall in industry, the economic production plans for January through May were slightly exceeded, even though more than 30 percent of the industrial enterprises did not fulfill their production tasks entirely. Fulfillment of the annual tasks was 41.6 percent by the end of May, which is roughly the same as last year when there was an extra workday.

Basic Indicators of National Economy's Development in May 1985.  
Increases Over Comparable 1984 Period (in percent)

	<u>May</u>	<u>Jan- May</u>	<u>State plan<sup>1</sup></u>
Centrally Administered Industries			
deliveries for:			
- investments, at wholesale prices	.	4.1	.
- domestic trade			
at wholesale prices	.	2.2	.
at retail prices	.	0.9	.
- export to socialist countries			
at wholesale prices	.	5.8	.
at f.o.b. prices	.	6.1	.
- export to nonsocialist countries			
at wholesale prices	.	2.7	.
at f.o.b. prices	.	0.3	.
- other sales for productive consumption and operations, at wholesale prices	.	2.1	.
volume of industrial production	-0.2	2.7	2.9
average number of employees	0.7	0.6	0.9
labor productivity based on gross output	-0.8	2.0	2.0
Construction			
construction work performed with own personnel	3.5	-1.5	0.7
average number of employees	0.7	0.1	0.6
labor productivity on construction's basic output	2.8	-1.6	0.1
housing units delivered by contracting enterprises	7.5	-0.8	25.3
Procurement			
slaughter animals (including poultry)	-5.4	-0.8	-1.1
milk	1.7	0.0	-2.1
eggs	-1.5	2.0	-6.4
Retail Turnover			
main trade systems	3.7	4.1	4.1
Foreign Trade <sup>2</sup>			
export to socialist countries	.	1.0	2.4
export to nonsocialist countries	.	-6.0	-1.9
import from socialist countries	.	2.0	3.9
import from nonsocialist countries	.	-0.8	8.9

1. Plan adjusted for actual 1984 results.

2. Data on actual results of the state plan, in accordance with the instructions for 1985 (pursuant to CSSR Government Decree No 308/1984).

Labor productivity (based on gross output) likewise developed in accordance with the targets of the annual state plan; fulfillment of the economic plans for labor productivity during the first five months was 100.3 percent. Adjusted value added during January through May was 3.3 percent higher than



during the same period last year; overall fulfillment of this indicator in the enterprises' economic plans for the first five months was 99.1 percent.

The economic plans for sales of the industrial output in January through May were fulfilled for all principal destinations of the deliveries. There was a pronounced overfulfillment of the plan primarily in deliveries for investments in general, and also in deliveries for export to socialist countries. However, fulfillment of the economic plans in this area was not entirely even. More than 45 percent of the enterprises fell short of their plan of deliveries for productive consumption and operations; and more than 30 percent of the enterprises, specifically the ones that had this indicator assigned to them, fell short of the plan of deliveries for investments.

In construction, the plan for construction work performed with the own personnel of the construction enterprises was fulfilled 103.6 percent in May. The overall volume of construction work in May was 3.5 percent higher than in May of last year and reached 8.9 billion korunas. The average daily output in construction rose by 8.4 percent in May.

The favorable results in construction last month helped to improve fulfillment for the year to date. In January through May, the construction enterprises delivered 35.7 billion korunas' worth of construction work performed with their own personnel; this is 1.5 percent less than during the same period last year. But they have not been able to make up the entire dropout in January and February. By the end of May, the annual plan for construction work was fulfilled 37.4 percent.

Adjusted value added in construction during January through May rose by 0.3 percent over the same period last year; this indicator of the economic plans for January through May was fulfilled 97.3 percent.

In housing construction by the contracting construction enterprises, 12,844 housing units have been delivered in January through May.

In agriculture, work in the fields proceeded according to schedule. Sugar beets have been thinned on 98.5 percent of the planned area by 11 June. Perennial forage crops (the first mowing) have been harvested on 56 percent of the planned area. The first mowing of meadows has partially been completed, on 30.9 percent of the planned area so far.

The schedule for the procurement of livestock products was fulfilled in May: 103.0 percent for slaughter animals (including 105.4 percent for slaughter cattle and 101.2 percent for slaughter hogs), 98.4 percent for slaughter poultry, 103.8 percent for milk, and 108.2 percent for eggs. In comparison with the same period last year, procurement during January through May was lower by 5,800 metric tons (or 0.8 percent) for slaughter animals (including slaughter poultry), but higher by 1.0 million liters for milk (this essentially corresponds to the level during the same period last year) and by 25 million eggs (an increase of 2.0 percent).

Public freight transportation in May was lower by 3.2 percent than in the same month last year. This includes declines of 2.3 percent at CSD [Czechoslovak



State Railways] and 4.2 percent at CSAD [Czechoslovak State Motor Transportation], and an increase of 4.3 percent in inland navigation. The economic plans for freight transportation were fulfilled 99.1 percent in May (99.0 percent at CSD, 99.3 percent at CSAD, and 100.1 percent in inland navigation).

In comparison with the same period last year, the volume of freight hauled in January through May was lower by 5.6 percent. This includes declines of 5.3 percent at CSD, 5.7 percent at CSAD, and 13.8 percent in inland navigation. The average number of freight-car units loaded daily during January through May dropped 4.7 percent; the average turnaround time per freight-car unit lengthened by 7.6 percent, to 4.13 days. (The economic plan for January through May 1985 called for 4.00 days.)

In domestic trade, the retail turnover of the main trade systems reached 20.5 billion korunas in May. This includes 12.2 billion korunas at organizations of the CSR and SSR ministries of domestic trade, 6.3 billion at consumer cooperatives, and 1.5 million [sic] at enterprises of Restaurants and Lunchrooms. In comparison with May of last year, the retail turnover of the main trade systems rose 3.7 percent.

Within this, the sharpest rise of the retail turnover was in fruit and vegetable stores (22.7 percent), restaurants and lunchrooms (9.4 percent), consumer cooperatives (6.0 percent), and food stores (4.2 percent). But at organizations selling industrial goods (durables, textiles, shoes, furniture and jewelry) the retail turnover remained below the level attained in May of last year.

In foreign trade in January through May, total import continued to rise faster than total export. The growth rates of total import and export, and also of import and export by groups of countries, are lower than what the annual plan calls for. Fulfillment of the annual plan during January through May was 37.7 percent for total export (including 37.3 percent for import [sic] to socialist countries, and 37.4 percent to nonsocialist countries), and 35.7 percent for total import (including 38.3 percent for import from socialist countries, and 29.7 percent from nonsocialist countries).

The currency in circulation on 31 May 1985 was 56 billion korunas.

1014

CSO: 2400/500

CZECHOSLOVAKIA

EFFECTIVENESS OF PRODUCTION ASSETS, FINANCIAL ROLE VIEWED

Prague FINANCE A UVER in Slovak No 2, 1985 pp 47-60

[Article by Eng Michal Kovac, ScC: "Factors and Conditions of Efficiency of Capital Production Assets and the Role of Finances"]

[Text] The present paper deals with the most general expressions of the undesirable management of capital production assets and its secondary and primary causes. Insufficient use of shift work or slow phasing out of obsolete capital assets are regarded as secondary causes of the declining efficiency of capital assets, the origin -- the primary cause -- of which may be found in the methods and mechanisms of management. The point of gravity of this article is in the explanation of the correlations between the secondary causes and individual areas of the current system of planned management of national economy and in general proposals of systematic solutions (measures) that might substantially curtail the development and repetition of the secondary causes leading to the declining efficiency of capital production assets. Within this framework the role of finances in the given planned management system of national economy and certain preconditions for enhancing the effect of finances on the growth of efficiency of capital production assets are outlined.

Introduction

In this section we shall summarize some of the data and conclusions drawn thus far from our research in the fulfillment of the partial program "The Effect of Finances on Improving the Efficiency of Capital Assets."

When preparing a program for the fulfillment of the task under study, it was obvious that in order to search for ways and means for upgrading the effect of finances on efficient management with capital assets (CA), we must thoroughly understand the causes of the undesirable development of efficiency of capital assets. By the same token, the focus was not on the determination of secondary causes, but on primary causes stemming from the system of management. The objective of our research was also to determine whether the primary causes are inherent in the financial sector of the planned management system of national economy or in some other sectors of that system. Only on that basis it was, and still is, possible to outline the directions, ways and means to curb the undesirable development of efficiency of capital production assets (CPA) and within that framework, also to determine policies for enhancing the effect of finances on the further favorable development of CPA efficiency.

Before approaching the solution of the task itself, the concept of "CPA efficiency" and the approach to the analysis of that economic phenomenon were defined for the assignment. It was decided that the concept of "CPA efficiency" be understood as management of CPA, particularly from the following points of view:

- The development of the extent to which the newly created CPA are used;
- the development of shift work and capacity use of CPA in operation;
- the development of the age structure of the CPA and on that basis, the development of their technical standard.

The topic of our research was not focused on issues of methodology and pricing related to the expression and assessment of CPA efficiency.

From the evaluation of the chronological progression of data illustrating individual aspects of the management with CPA it was evident that

- a) following their completion a certain part of investments remains completely idle;
- b) the use of capacity and shift work of the operating CPA has failed to meet the projected parameters and has declined even more conspicuously in recent years;
- c) the average period during which the CPA remain in operation is being prolonged and thus, obsolete fixed assets are increasing.

#### The Development of Important Aspects in the Management with CPA

The declining efficiency of the process of replacement and, within that framework, also declining efficiency of the replacement of CPA were among the significant negative phenomena accompanying our economic development over the recent period.

Highly intensive investments, typical for our extensive economic development in recent years, determined the rapid growth of the physical volume of CPA. The overall volume of CPA in 1971-1980 was 70.5 percent higher than their situation of 31 December 1970. CPA were increased by 78.5 percent and the CA in our industry by 76.0 percent.

Toward the end of 1970 the material structure of CA was characterized by a low share of the active factor of CA, which amounted to 22.3 percent of all CA.

In the 10-year period (1971-1980) the share of machinery and equipment in the overall situation of CA in our national economy was only 4.7 percent higher than in 1970 and at the end of 1980 it amounted to 27.1 percent.

In comparison with the rate of growth in individual years, the intensity of the renewal of CPA has been low and showed a decline in machinery and equipment. Due to the declining intensity of CA renewal, their average period of turnover

had been extended. The average turnover period of industrial machinery and equipment is absolutely overly long -- up to 25 years and its result is the obsolete technical standard of our CPA.

The results of our review demonstrated that as of 30 June 1980 the technical standard of the machinery and equipment in our industry has been relatively inferior and only slowly improving.

From the total volume of one-time surveys of the machinery and equipment in our industry according to its situation of 30 June 1980 it follows that fully automated machinery and equipment with controlled operating cycles by means of regulating devices amounted to 13.9 percent and machinery and equipment with programmed operating cycle to 9.1 percent.

Utilization of CA, especially of machinery and equipment, has been a negative phenomenon over an extended period. Data from our analyses show that even our top technology, particularly machinery and equipment imported from the non-socialist states, are not being properly used.

Shift work of CA in our industrial enterprises is characterized to a certain degree by the value of shift work ratio which was 1,351 in 1970, 1,325 in 1975, and 1,324 in 1980.

Ample unused assets exist in the use of CA during shifts. Data characterizing their use during shifts, however, are not generally available. Experimental surveys of the use of machinery operations in our industry confirmed their great underutilization. In the centrally managed industrial enterprises it represented a total of only 66.6 percent, and in the sector of glass, porcelain and ceramic industries only 57.4 percent.<sup>1</sup>

Total CA utilization is characterized by the efficiency indicator which expresses the relation between the volume of production and the CA in Kcs.

A gradual decline is characteristic for the development of CA efficiency in the CSSR. As compared with 1970, efficiency has declined in 1971-1980 as much as 11.5 percent, which means that the rate of growth of our national income has not kept in step with the rates of growth of the CA volume.

#### The Causes of the Declining Efficiency of CA

Our central agencies studied the deteriorating management with CPA on the basis of several analyses which focused in particular on the causes why the use of shift work and capacity of CAP had been declining and why the technical standards of CPA had been lagging behind their attainable potential.

#### Decline in the Extent of Use of Shift Work of CPA

The decline in the use of shift work of CPA is characterized by a low shift rate and also by more vacant jobs during the first shift.

Various analyses by central agencies note such causes of the above-mentioned development as:



- insufficient interest in work during the second, or third, shift for reasons of family relations and time, which is most obvious in those branches which employ high numbers of women;
- insufficient material and social differentiation between the single-shift and multi-shift jobs;
- problems in supplier-consumer relations, shortages of supplies and raw materials, problems with supplies of spare parts and with sales of goods, changes in the line of production, etc.

As serious causes are regarded the shortcomings in the management of the processes of production, especially inferior standards of the organization of production and labor, which lead to:

- considerable idling of machinery and equipment;
- indifference to demands of high efficiency;
- disregard for, and underutilization of, the work time;
- inferior standards of the maintenance and repairs of machinery and equipment, overly long schedules for repairs, etc.

Decision of the CSSR government No 146/1977 on more efficient utilization of CA in our industry by halting the decline in the shift rate and turnover in the development of CA, adopted measures which were to be further specified for 1978-1980 on the level of the VHL [economic production units] and enterprises. The specified measures aiming at higher utilization of CA in the VHL and enterprises were unsatisfactory -- as noted in pertinent documentation by our central agencies -- and their intention to achieve a higher shift rate had not been fulfilled. This fiasco is blamed on the fact that the specifications of the measures had not been appropriately interrelated with actual resources in investments, that they had not been supported by corresponding policies in the management system, that material incentives had failed sufficiently to encourage higher shift rates, and that the problem of work forces had often been oversimplified.

Policies in the sense of the CSSR government's decision No 53/1979 on further procedures of preparations for the Seventh 5-Year Plan and on projections for our economic development up to 1990 were supposed to ensure a better effect of the shift work use of the CPA on the maximum growth of labor productivity.

Better use of CPA was envisaged primarily in manufacturing branches with developmental programs and in newly built facilities, where unprofitable operations and machine equipment were to be concurrently discontinued.

In the opinion of our central agencies, the main cause of the deteriorating shift work and capacity use of CA may be in the imbalance between the replacement of CA and the replacement of work forces, due to the fact that the achievement of structural changes in our national economy does not denote a unified system and does not have a long-term character.

## The Lag in Technological Standards of CPA

Over the past decade the intensity of investments in our national economy rose considerably, while the intensity of CA renewal declined, and as a result, the period of use of CA was extended. The renewal, particularly of machinery and equipment, was gradually postponed to almost 25 years in the Sixth 5-Year Plan.

We must regard as negative the extensive average period of turnover of machinery and equipment in our engineering and electrical industries which represent our production base supplying operating CA for every branch of our national economy and which should vigorously contribute to the technical progress of all of our national economy by the technical standards of their own products. Technical progress may be enforced in particular by rapid replacement of machinery and equipment.

A disproportionally large part of worn-out and obsolete machinery and equipment in the process of production is also a result of an inadequate share of investments for replacement and of modernization and reconstruction programs implemented in the total volume of investments, which is explained as a chronic lack of interest on the part of investors in comprehensive reconstruction and modernization of factories, workshops, units, lines, etc.

Problems in the management with CPA are also reflected in the indistinct changes of their age structure. The age structure of the CPA is fundamentally affected by the insufficient phasing-out of the worn-out and obsolete CPA. The trend to leave depreciated CPA in service has been confirmed by the following data: in 1978 11.6 percent of the CP in operations in all of our national economy, i.e., CP in the value of Kcs 188 billion, and 14.0 percent, i.e., CP in the value of Kcs 102 billion, in industrial enterprises had been fully depreciated.

The phasing-out of CPA has been complicated by problems connected with the acquisition of new machinery and equipment. If it is possible to acquire new machinery and equipment, the problem of spare parts frequently comes to the fore, in particular in case of imported machinery and equipment, while maintenance of old machinery and equipment enables the economic sphere to operate them, or it can manufacture the required spare parts in its own facilities.

The principles adopted for the fulfillment of the Sixty 5-Year Plan were based on the stipulation of the mandatory task to phase out machinery and equipment; they included penalties for the failure to comply, as well as instructions for the liquidation of factories. [Those principles] were not implemented consistently and did not contribute to the solution of problems, as had been expected.

On the basis of more thorough analyses we reached in our research the conclusion that the above-explained causes of the undesirable development of relevant economic aspects in the management of CPA (selected from the documentation of our central agencies) had not provided any explanation why -- despite the intensive concern of the central agencies and despite the implemented measures -- the



decline of the efficiency of CPA could not be halted. It is obvious that the causes outlined above are not primary, but secondary, generated by certain imperfections and outdated solutions in the system of planned management of our national economy.

#### Correlation of Secondary Causes of the Unfavorable Development in the Management of CPA with Methods and Mechanisms of National Economic Management

The analyses and research we conducted in selected VML and enterprises have confirmed that increasing the share of completely idle CPA in their total situation, as well as the declining use of shift work and output (capacity) of the operating CPA (hereafter the deteriorating standard of CPA use) and their technical standard lagging behind their otherwise accessible potential, and the declining average age structure, particularly of machinery and equipment, are not isolated, marginal incidental and short-lived phenomena, but that they are pervasive and chronic. Therefore, the disadvantageous development of CPA management cannot be blamed on subjective deficiencies in the performance of pertinent levels of management. Such shortcomings do exist, but they may explain only some of the secondary causes appearing here and there in our factories. They cannot account for the long-lasting and almost periodic causes leading to an undesirable development in the above-mentioned areas of CPA management. We reached the conclusion that the secondary causes of the development under discussion have their origin and their fulcrum in certain policies of a systematic nature, or in certain methods and mechanisms of the system of planned management of the national economy now in force.

Here below we shall attempt to outline the correlations between the secondary causes of declining efficiency of CPA and the methods and mechanisms of our national economic management (according to primary symptoms of the declining efficiency of CPA), as we identified them in our survey and analyses.

#### Correlations Between the Expanding Volume of Completely Idle Finished Investments (New Production Assets) and Methods and Mechanisms of the Current System of Planned Management of the National Economy

The share of CPA which has been completely idle after the investment had been completed and possibly after it had been put into service is sizeable and continues to grow. If such phenomena appeared in the first years of the building of socialism, they could be blamed on our inexperience in central management of the national economy. Nevertheless, the funds for totally unused CPA have been wasted in recent years and are being wasted today. Meticulous reviews of such developments have shown that they stem mainly from certain shortcomings in the methods and mechanisms which control the process of replacement. There is an agreement of opinions that the following are the main secondary (immediate) causes of the underutilization of new CPA:

- lack or shortage of guaranteed markets for goods that may be manufactured in the newly acquired CPA,
- shortages of work forces for certain trades in a given location,

-- shortages or unreliable deliveries of raw materials, supplies and energy needed for a particular type of production.

The primary material requirements for the use of CPA in general are continuous supplies of work forces, raw materials, energy, etc., for the production, and guaranteed sales of the goods in question, which means that the management system must achieve, among other things, a balance:

- a) of the management of capital investment with the management of the dynamism and structure of production and marketing;
- b) in supplier-consumer relations;
- c) of the replacement of CPA with replacement of work forces.

Shortages of work forces in relation to the newly installed workplaces, or an excess of installed workplaces which has developed and been repeated already on a continuous basis by launching new CPA in operation signals disproportions between the replacement of CPA and the replacement of work forces. Externally it also appears as an expanding volume of CPA which remain completely idle. Attempts to eradicate the foci of this serious disproportion (see Decision of the CSSR Government No 146 or 26 May 1977) have not been successful.

Until recently the prevalent view was that a given problem might be resolved by partial measures in certain aspects of the planned management system of national economy.

For that reason, measures were adopted to interrelate the plan for CPA replacement more exactly with the plan for replacement of work forces and better interconnection of the thus "attuned" state economic plan with economic plans of the ministries, VNJ and enterprises. As known -- and as confirmed by the development of job vacancies after 1977 -- the adopted and introduced measures for improving the quality of planning and of the administrative process for transferring the centrally planned tasks to the VNJ and enterprises (differentiated specification of the set of tasks) have not brought the required and anticipated upturn in the development of the share of completely idle machinery and equipment acquired as new capital investment in the overall situation of the CPA. Even measures raising the material incentives for individuals and enterprises in order to encourage the phasing-out of obsolete and already depreciated CPA and liquidation of unprofitable productions failed to produce desirable changes. Those measures were supposed to result in releasing the employees from such operations and in transferring them to jobs in the newly installed machinery and equipment operations.

From the data obtained by the former Research Institute for Financial and Credit System within the Unified Program of Analyses conducted in 1981-1982 in the CSR and SSR in selected VNJ and enterprises it follows that the main focus and thus, the primary cause of disproportions between the replacement of CPA and the replacement of work forces is neither in the planning nor in the inadequate interest of appropriate managers in charge in prompt launching

of operations in newly acquired production capacities and their full staffing with appropriate work forces, but rather

- a) in the mechanism (methods, instruments and regulations) of transferring the tasks contained in the state plan for socioeconomic development to the basic economic units, or to enterprises, and
- b) in the mechanism controlling economic operations of the enterprises after the tasks of the economic plan had been approved.

An essential part of that mechanism consists of a direct and differentiated stipulation of tasks for individual VNI and enterprises, i.e., administrative specifications which determine

- the volume, dynamism, structure and economic purpose of production and marketing;
- the sources and factors determining the fulfillment of the tasks (inputs in the production, such as the range and structure of imports and technical achievements, the extent and structure of capital investment, raw materials, supplies, energy, and work forces);
- main suppliers and consumers, etc.

With this mechanism the central managing economic agencies are taking upon themselves the de facto responsibility for balancing the relations and proportions between consumption and production not only on the level of national economy but also between the outputs and inputs of individual enterprises, and thus, also between the sources of work forces and capital investment, or the newly installed workplaces in individual enterprises.

So long as deviations or defects have occurred during the fulfillment of the tasks stemming from administrative specifications, the agencies of central economic management reacted to them with similar methods and policies (mechanisms) as when drafting plans, i.e., by direct and differentiated decisions, however, after considerable delay and also incomprehensively; that also has its objective causes in the requirement to observe very complex and rigorous regulations of the prescribed process, which cannot be any other way in view of the selected method of management. Within the existing delimitation of the authority of the managing economic agencies the managers of VNI and enterprises have only limited opportunities for flexible interventions in the process of correlating the replacement of CPA with the replacement of work forces (in terms of time and space).

The solutions adopted within the Set of Measures both in the planning and in general management of capital investment and in the unified system controlling the employment and mobility of work forces express the reactions to that problem, however, that expression has been thus far incomprehensive; certain sectors of the khozraschet sfera procrastinate very much with their specifications of the adopted measures for their own managing operations.

Correlation Between the Declining Use of Shift Work and Outputs (Capacity) of CPA and the Methods and Mechanisms of the Current System of Planned Management of National Economic Development

The declining use of CPA is further evident from the expanding share of the totally idle CPA in the overall situation of CPA as well as from the inferior standards of the use of shift work and capacity of machinery and equipment and in many branches of material production from the declining standard of the use of shift work and capacity of CPA. Among the secondary factors (causes) of this serious negative phenomenon are in particular:

- shortages of raw materials, supplies and work forces in relation to potential capacity of a given factory;
- shortages of driving energy in relations to the needs of fully utilized capacities of machinery and equipment;
- shortages of spare parts needed for making machinery and equipment operable again;
- irregular deliveries of raw materials and supplies due to problems with transportation capacities;
- decline in sales opportunities for certain products.

As a matter of fact, this concerns a chronological and spatial imbalance between the basic factors which determine intensive utilization of CPA. The absence of any of the above factors in the process of production results in needless waste of time and in higher costs per unit of production. While in case of excessive installations or of disproportions between the replacement of CPA and the replacement of work forces, the problem is to balance the two processes; in the given instance it means balancing substantially more ramified relations, not only in terms of work forces, but also in terms of supplier-consumer relations, relations between production and transportation, between consumption of power in the production and the sources of energy, and so on. The more ramified the structure of production, the more complicated the balancing of the above-mentioned relations, and the more frequent the development of disproportions.

In conjunction with the given problems, views have been heard that the VNI and enterprises have adequate space (authority) and mechanisms for the best possible balance of individual factors in the process of production and that the shortcomings in that area are overwhelmingly of a subjective kind. The solution of full utilization of a given space (opportunity) for more intensive use of CPA is seen in more stimulating incentives and penalties for failing to take advantage of such opportunities.

This interpretation of the causes of the declining use of shift work and capacity of CPA leads to an orientation of the systematic measures mainly on material incentives and on the area of finances.



Data obtained within the framework of the unified analytical program have not supported the legitimacy of such views; they proved unambiguously that from the perspective of more intensive uses of CPA the balancing of the factors in the process of production and in the process of replacement in general with the methods and mechanisms of central management applied thus far is overwhelmingly in the hands of central economic management and only to a lesser degree in the hands of the executives of general directorates of VHI and to a very minor extent in the hands of the managers of enterprises and factories.

In the current mechanism of management, based on direct and differentiated specifications of the set of tasks for enterprises, every enterprise is assigned a task not only in terms of the amount and dynamism of its production but also in terms of the structure of its production and marketing. In addition, the managing center not only determines the range and the structure of deliveries of raw materials, supplies and energy, but designates also the suppliers, prices, payments and other conditions under which the enterprise may, and must, procure what it needs for a continuous process of production.

Thus, the center stipulates specific tasks and limits for enterprises and factories not only for their production (operational) outputs but also for their economic efficiency.

As in balancing the process of replacement of CPA with the process of replacement of work forces, in balancing material inputs in their production with production capacities and with their needs as well as with the demands of economic efficiency, enterprises and factories have limited opportunities for achieving the necessary balance. The center of management controls the mechanism designated for balancing of all essential factors of production and of the process of replacement. It is a widely known fact that the purpose of the adopted and implemented measures is that appropriate managing economic agencies fully master and apply this mechanism in the interest of the best possible balance of the factor of the replacement process (both in time and space). In our opinion, the shortcomings appearing in this area do not stem from subjective deficiencies of managing operations of appropriate central agencies. The process of decline in the use of CPA could not be curbed because of the inadequate and already inefficient mechanism for balancing the factors in the process of replacement. Its essence is in direct control in which the prices are set and other tasks and limits of production and economic efficiency are "tailor-made." So long as they are applied, standards and norms do not serve as tools to continue to bring different individual labor productivities closer to the average social and progressive productivity and individual production costs of individual enterprises closer to the socially required costs, but to identify the deviations of individual enterprises from the applied standards and norms for the purpose of differentiated, tailor-made specifications of tasks in the area of outputs in the production process as well as in the area of inputs in the production process.

The Relation Between Outdated Technical Standards and Deterioration of the Average Age Structure of CPA, on the One Hand, and Methods and Mechanisms of the Current System of Planned Management of National Economy, on the Other

An important aspect in the management with CPA is the upgrading of the technical standard of CPA and consequent reduction of the average age of machinery and equipment used in the production process. Analyses completed particularly by the former Federal Ministry for Technical and Investment Development, as well as data obtained from the VHJ under study demonstrate that

- a) the technical standard of numerous CPA which met top parameters when first put into operation, no longer meet such parameters;
- b) already at the time of their launching into operation numerous newly acquired machines and equipment are average and in many instances, below the world average.

In the former case, the turnover period of machinery and equipment is longer than in states that set the highest standards. In the latter instance, scientific and technological achievements have not been properly utilized in the production of new machinery and equipment in our country, or our trade policy suffers from shortcomings which result in the acquisition and import of technically outdated or imperfect machinery and equipment.

The views still prevail that the undesirable development of this aspect of CPA management is caused by inadequate planning of R&D, including insufficiently planned implementation of scientific achievements in the process of production, by inadequate material incentives to stimulate the application of scientific and technical achievements in the enterprise sphere, and by unsatisfactory material incentives to the R&D base for successful solution of fundamental tasks and for their practical application.

The data we gathered indicate that the decisive causes of the unsatisfactory development of technical standards of CPA in our enterprises stem mainly from the current functional position of our enterprises vis-a-vis the VHJ and other managing agencies, and from the relations stemming from the current situation and from the functions of the managing center, VHJ and enterprises, i.e., relations which, along with the applied methods and mechanisms of enterprise management have failed to create the following:

- a) a climate of economic urgency from prompt and comprehensive utilization of scientific and technical achievements in our production;
- b) adequate space and opportunities on the enterprise level for prompt acquisition and implementation of accessible scientific-technological achievements. This again concerns an adverse climate and inefficient mechanisms which we are still using to manage these processes.

#### Relation of Undesirable Phenomena in CPA Management with the System of Their Financing

The conclusions of surveys and the summaries of analyses indicate that in the implemented system of planned management of national economy the financial system and its mechanisms failed to fulfill, and could not fulfill, the function of principal and determining means in the hands of the managing



center, which is to ensure a continuous process of replacement and to balance its individual factors. The managing center fulfills such functions by means of direct administrative mechanisms which control economic operations of individual enterprises. In the framework of the applied mechanism our financial economic policies may exert certain influence particularly in terms of material incentives. However, efficiency of a certain system of material incentives depends on whether the subject we intend to stimulate has the space and opportunities to deal with pertinent material problems determining the efficiency of CPA management. In this respect the data obtained and the analyses completed pointed out that thus far the applied mechanism failed to provide adequate space for the solution of material problems which determine the efficiency of investments and management of CPA.

Reviews conducted on the level of general directorates and enterprises have shown that primary decisive shortcomings in CPA management do not stem from systematic imperfections in material incentives.

#### General Proposals for Systematic Solutions Focused on Further Intensification of the Principles of the Set of Measures

On the basis of the data gained thus far we concluded that in the whole series of problems related to CPA management the solution of the following tasks has the priority:

- a) to curb the increase in the completely idle finished investment projects,
- b) to stop the decline in the use of shift work and capacity of the operating CPA,
- c) to stop the expanding average period of replacement of CPA, and to upgrade on a continuous basis the standard of CPA use.

For that reason we shall henceforth focus on proposals of systematic character in the sense of the principles stated in the Set of Measures and dealing with the solution of the above-mentioned fundamental problems.

1. The mechanism of control, from the decision-making process up to the use of CPA, must be flexible in ensuring

- a balance of capital investment with the dynamism and structure of production;
- a balance in supplier-consumer relations, and
- a balance between the replacement of capital assets and of work forces.

With a rising complexity of mutual relations in the process of replacement within the state as well as in the process of international division of labor the above-mentioned balance in material needs for the use of capital assets is increasingly difficult to obtain by means of methods and mechanisms of control of economic operations of enterprises (as direct manufacturers). Measures applied thus far for better and more efficient correlations of individual

sectors of the national economic plan on the level of the center as well as measures for more efficient transfer of tasks (in dynamism and structure of capital investment, in dynamism and structure of work forces, in dynamism and structure of R&D) in the form of specifications for individual V&J and enterprises failed to produce the desired improvement. In this conjunction it is an old as well as new problem of balancing production and marketing not only in general but also in terms of structure, of balancing capital investment with the production, of balancing replacement of work forces with replacement of CPA, of supplying materials and energy to production, etc.

Thus far our experience has shown that while the economic center must, and can, ensure a balance (proportions) in general -- and in this particular function it is irreplaceable -- it cannot balance the structure by means of differentiated administrative specifications of the set of tasks for individual enterprises.

In terms of the effect exerted by finances, it is important to bear in mind that the general as well as the structural imbalance affecting the growth of the volume of completely idle CPA and the decline in the use of shift work and capacity cannot be blamed on inadequately applied economic mechanisms for the simple fact that financial economic mechanisms cannot be used in our system of management to control structural correlations but, among other things, as mechanisms to finance tasks and mechanisms stipulated by the material plan, and as mechanisms of material incentives for enterprises and individuals.

Measures aimed at enhancing the effect of material incentives for enterprises and individuals cannot guarantee a turn to better utilization of CPA. Acquisition and replacement of material and personal factors which are necessary for an uninterrupted process of production did not, and do not, depend on the accumulation and distribution of financial assets. The khozraschet sphere does not make claims on material, foreign currency and other resources needed to balance individual factors in the process of replacement and to accelerate the turnover of machinery and equipment by means of financial funds; they are specified and assigned for that sphere within the framework of direct distribution of material and foreign currency resources for individual purposes which are not interchangeable.

The results of our analyses have shown that more essential solutions of primary causes of the increasing share of underutilized newly created CPA and of the decline in the use of shift work and capacity of CPA are linked to the changes made in the management of the process of dynamism and structure of our production, investments, technical development, marketing, work forces, and so on.

The way out from this situation should proceed from a new solution for the sharing of authority and responsibility between the state economic center and enterprises: the state economic center should retain its responsibility and authority for the balance in general, and the khozraschet sphere should have the authority and responsibility for balanced structure, naturally, within the framework of general proportions outlined by the center. That will involve responsibility for the balance in the structure of investments, in the structure

of production and marketing, in the structure of R&D tasks, in the structure of work forces, and thus, it will involve responsibility for balancing material conditions for the use of capital assets with the volume and structure of capital assets. In accordance with this responsibility the khozraschet sphere should be granted appropriate rights enabling it to determine the structure of investments in accordance with the structure of production, with the prospects of obtaining work forces, raw materials, supplies, energy as well as with the opportunities for guaranteed marketing of its products and with opportunities to adapt the dynamism and structure of its production, on the one hand, to the marketing potential, and on the other hand, to prospects of obtaining energy, transportation, raw materials, supplies and work forces for its production.

The proposed solution is based, among other things, on the premise that:

- general harmony will be ensured in the distribution and use of the social product mainly by means of financial economic mechanisms which allocate financial resources for individual purposes;
- material factors will be obtained for the process of replacement (innovation proposals, investments, work forces, raw materials, supplies, etc) in accordance with financial assets left in khozraschet units.

2. Efficiency of our economy is undercut not only by the above-mentioned phenomena in the use of CPA but also by the prolonged period of CPA turnover and of the cycle of their replacement. An immediate (secondary) effect on this process stems from the inadequate phasing-out of old and depreciated machinery and equipment. The concluded analyses indicate that as the preceding phenomena, this is not due to subjective deficiencies in the control of the phasing-out process of CPA, but that it is a product of certain solutions applied thus far. At first glance it may seem that interest in profitability of capital assets could turn around the phasing-out of CPA. However, thus far the development of technical standards for CPA had not signaled any positive changes; instead, it continued the current trends, as indicated, among other things, by the fact that incentives for increasing the volume of products -- even by means of depreciated CA -- are more potent than incentives for raising the profitability of capital assets, for example, by phasing out old and depreciated CPA.

Reducing the renewal cycle of CPA, or as the case may be, accelerating the turnover period, particularly of machinery and equipment, and on that basis, improving average technical standards and average age of machinery and equipment, represent problems connected not only with the distribution of national income and in that context, with the extent of its accumulation and with the extent of its investments and implementation of R&D; they are also related to the creation and maintenance of a certain economic climate in khozraschet units. Decisive causes of the prolongation of the turnover period of machinery and equipment in many enterprises and sectors of production are not connected with the creation of financial resources or with issues of material incentives (as confirmed by data obtained from the Unified Program of Analyses in Enterprises and VHJ), but with the applied methods and mechanisms of control of the expanded socialist process of replacement. A qualitative

change in the acceleration of the turnover of machinery and equipment and in that conjunction, also in phasing-out of depreciated and obsolete machinery and equipment, may be achieved with further interventions in the mode, methods and mechanisms of control in the process of expanded socialist replacement, as discussed in the context of general topics in the section "Development of Important Aspects in CPA Management."

In this conjunction we regard the following systematic measures as most important:

- a) more comprehensive and thorough implementation of the principle that financial assets designated according to regulations stipulated for replacement of CA represent in their entirety demands for investments (without specific allocations of investment limits) and that in terms of supplier-consumer relations, such demands are equivalent to investments assigned, for example, for centrally approved programs. That is connected with the enforcement of the principle not central agencies, but khozraschet units approve demands and claims for the renewal and general expansion of CPA (i.e., for investments), which have thus developed. In other words, investments for modernization and general expansion of CPA will not be assigned to khozraschet units by the system of supplements but by financial control;
- b) management of the capital depreciation fund will be gradually transferred to enterprises (with the exception of enterprises designated for liquidation). This calls for cancellation of the nonreturnable type of redistribution of depreciations within the VKhJ, or within central agencies; the temporarily free resources (finances) will be redistributed in a returnable form through the bank as unused depreciations;
- c) application of the principle that enterprises capable of achieving above-average profitability may depreciate their CA faster than the depreciation rate stipulates, and that they may pool their financial resources corresponding to that amount in an appropriate fund.

Gradual implementation of the above-mentioned proposals has far-reaching ramifications and calls for further comprehensive elaboration in other sectors of the system of planned management of national economy.

In our opinion, even partial changes implemented in the spirit of the principles stated in the Set of Measures should follow the above-mentioned principles concerning the division of authority and responsibility between the state economic center and the khozraschet sphere; decisions which would weaken the role of finances and other economic mechanisms in the achievement of an overall balance should not be adopted and implemented.

#### Summary

Before dealing with the research task it was known that in general the efficiency of CPA in our entire national economy as well as in our main production sectors had been declining. External symptoms of that process appeared in three forms:



- a) in the increase of CPA put into operation but not used at all, or used only partly;
- b) in the decline of the use of shift work and capacity of CPA;
- c) in the extension of the average turnover period of CPA.

One of the results of research seeking solutions to those problems is better understanding of decisive factors which determine the optimum use of CPA. The solution has shown that primary material prerequisites for the optimum use of CPA is continuous availability of work forces, raw materials, supplies and energy for production and systematic guarantee of adequate sales of pertinent products. The decline in the efficiency of CPA is closely linked with the decline in steady sales and material supplies to production.

Our research has shown that this phenomenon has its primary causes in certain mechanisms of the management system applied in the process of replacement, rather than in subjective shortcomings of pertinent managers of central agencies in VHI and enterprises. Nevertheless, that does not imply that subjective shortcomings in management did not play their part in the declining efficiency of CPA.

More thorough analyses of individual sectors of the management system related to the development of efficiency of CPA have indicated that financial management does not affect to a more significant degree the process of balancing the material factors necessary for the best possible utilization of CPA. The process of balancing such factors within the implemented management system is overwhelmingly in the hands of planning commissions and ministries; it is not implemented by means of finances but by methods which specify material tasks for VHI and enterprises.

Furthermore, analyses have shown that the systematic solutions applied thus far failed to hold the progressive decline of efficiency of CPA. On the basis of the obtained data we reached the conclusion that they way out from the current situation -- especially in conjunction with the transition to an intensive national economic development -- proceeds from the new method of division of authority and responsibility between the state economic center and the khozraschet units. We propose that the state economic center retain the authority and responsibility for achieving a balance in the process of replacement in general, and that the khozraschet sphere have the authority (opportunities and funds) and responsibility for balancing the process of replacement in its structure.

Solutions stemming from the above-mentioned proposals will halt the increase in CPA which have been put in operation but are now standing idle, stop the decline in the use of shift work and capacity of CPA and gradually create preconditions for improving their efficiency.

It may be presumed that if implemented, the system of solutions derived from the above-mentioned proposal may also affect the cycle of CPA turnover. However, a specific system of solutions is needed also in the financial area to halt the process of extending the turnover period of CPA. Such solutions



must be consistently subordinated to the demands of an intensive development of national economy.

In the next stage of research it will be necessary to determine specifically systematic requirements for the application of finances as a mechanism in the management of a global balance in the process of replacement and for a fuller development of the compelling and incentive role of finances for optimum use of CPA and for more efficiency in our economy. By the same token proposals for better use of finances and for improved turnover period of CPA must be prepared.

We are fully aware that for qualitative changes in our economic climate (creation of new parametric conditions) it is not enough to implement measures only in the financial and price areas, but above all in the relations between central agencies and the khozraschet sphere. Such measures may upgrade the efficiency of planned central management while expanding the relative independence of the khozraschet units; they may introduce more harmony between authority and responsibility in the central management sphere as well as in the khozraschet sphere.

From the above summary it follows that:

- a) justification of some of the proposals calls for deeper and more comprehensive study, and
- b) the indisputable proposals must be further specified and implemented in depth, in accordance with the demands for further improvement of the system of planned management of national economy.

#### FOOTNOTE

1. The Federal Ministry of Labor and Social Affairs conducted the experiment in centrally managed industry on the territory of the city of Brno.

9004

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CZECHOSLOVAKIA

CONSUMER MARKET SHORTCOMINGS CRITICIZED

Prague HOSPODARSKE NOVINY in Czech No 16, 1985 p 4

[Article by Ing. Josef Majtan, the Federal Office of Statistics: "One Percent For the Consumer Market - The Forgotten Decree"]

[Text] In order to enhance the variety of merchandise offered on the consumer market, the CSSR Government ordered by Decree No. 151/1982 a supplementary production of consumer goods to organizations having so far (i.e. in 1982) not manufactured them. Its share should have represented at least one percent of the entire production volume (with the exception of organizations managed by the Federal Ministry of Metallurgy and Heavy Engineering). It was assumed that the production will be ensured above all by a better exploitation of above-norm reserves and of waste materials. What are the results of the approximately two-year validity of that decree?

Out of the total number of the 194 plants under the jurisdiction of the Federal Ministry of General Engineering Industry and the Federal Ministry of Electrotechnical Industry, the duty to supply the consumer market pertained basically to approximately 130 machinery-producing enterprises. It did not refer to the traditional suppliers of machinery products for the domestic market such as the enterprises of the EPU Tesla - Consumer Electronics Bratislava or Strojsmalt Bratislava. Out of these 130 enterprises only 12 organizations (9.2 percent) have exceeded the stipulated task, i.e. their share of deliveries for the consumer market reached in 1984 one or more percent out of the total production. The overwhelming majority of enterprises referred to by the government decree, have either not at all increased their share of consumer market deliveries or did not reach the assigned one percent (see table).

More than half of the organizations (52 percent) reported that their share of deliveries for the domestic market was in the range of 0 to 0.09 percent of their total production volume.

The cause of the defective fulfillment of the government decree rests primarily in the fact that the enterprises have preferentially assured deliveries in the framework of the supplier-user relations and that they are only now

preparing the production for the consumer market. Although the EPU have been preparing the planned volumes of the supplementary production to individual enterprises, these plans, with some exceptions, did not attain one percent of the total production. Despite the fact that in 1984 most of the enterprises have fulfilled the plan of supplementary production volumes, the government decree No. 151/1982 was not complied with.

The sectors and EPU were more oriented toward the fulfillment of nationwide goal-oriented programs according to the government decree No. 120/1984 which stipulated to increase, in comparison with the original yearly plan, the deliveries to organizations which are traditional suppliers of the consumer market, or toward the growth of import (EPU CAZ Praha-Mototechna). Thus, in the jurisdiction of the Federal Ministry of General Engineering Industry, the share of deliveries for the consumer market grew from 7.5 percent in 1982 to 8.7 percent last year and in the jurisdiction of the Federal Ministry of Electrotechnical Engineering Industry from 7.1 percent to 8.1 percent. The nationwide objectives oriented to the consumer market were fulfilled in 1984 in both jurisdictions by the quantitative growth of the currently supplied goods (FMVS - 102.7 percent, FMEP - 104.6 percent).

The results of the yearly analysis of the EPU show that the majority of enterprises are either still in the planning stage, seeking production and delivery possibilities, or are only preparing such production. In certain cases the production capacities were inadequate for introduction of such productions, elsewhere it was necessary to curtail the planned deliveries to the consumer enterprises. The compliance with the government decree was hampered as well by the lengthy price negotiation and the unsolved methods of allotment and reporting of supplementary production (in the case of increased production modules - deliveries to the next customer who has worked them into products destined for the domestic market). In the course of the year, the consumer market was unevenly supplied with the supplementary production items. Some of these items were not sold at all on the consumer market last year.

Among the supplementary production goods sold on the consumer market in 1984, we could mention the following: pots and pans (EPU General Engineering Works Brno), parts for ski bindings, kitchen ladles, lining sheets (Chirama Stara Tura), small diamond disk saws (Tesla-Electronic Components, Roznov), spray guns, garage doors, sawdust stoves (Czechoslovak Automobile Works Praha), spare parts for sewing machines, meat grinders (Elitex Liberec), scythe hammers (Aero Praha) and others.

The production plants under the jurisdiction of the Federal Ministry of Metallurgy and Heavy Engineering Industry (the government decree No. 151/1982 is not relevant to them) realized in 1984 higher supplies for the consumer market within the framework of fixed target programs. All EPU participating in this program have fulfilled their tasks.

Contrary to the original nationwide plan for 1984, this particular branch delivered to the retail network additional consumer goods in the total retail price value of KCS 317.7 million. Included in it are, for instance, higher deliveries of jewelry articles and aluminum wrapping (Metal Works Praha),

TABLE

Fulfillment of objectives required by the Czechoslovak Government Decree No. 151/1982 on increase of deliveries for the consumer market in 1984:

EPU	Number of enterprises in the EPU:	Number of enterprises where the production share destined for the consumer market reached			
		1 & more percent	0.5 to 0.99 percent	0.1 to 0.49 percent	0.0 to 0.09 percent
Total	Principal consumer market suppliers				
<u>Gen. Engineering</u>					
ZTZ Martin	11	1	-	1	9
CAZ Praha	23	1	-	7	14
Agrozet Brno	10	4	1	-	4
Aero Praha	12	-	1	8	3
ZVL Považská Bystřice	9	1	-	1	7
TST Praha	19	3	1	6	8
ZVS Brno	11	4	1	-	6
Prago Union Praha	19	18	1	-	-
Elitex Liberec	10	1	2	1	6
<u>Electrotech. Ind.</u>					
ZSE Praha	19	4	1	6	6
ZAVT Praha	8	2	1	-	-
Chirana St. Tura	5	1	2	-	2
Tesla el. sp. parts					
Roznov	9	3	1	2	1
Tesla investment					
electronics Praha	7	1	-	2	2
Tesla measur. & lab. instruments Brno	6				
			1	1	-



prefabricated one-family houses of the Okal type, heat storage stoves and table salt (Ore Mines and Magnesite Plants Bratislava), rolled materials and coke (Iron Works Praha), products of secondary metallurgical production (Secondary Metallurgy Praha).

A greater variety of goods on the consumer market - as ordered by the government decree No. 151/1982 - did not yet materialize in a larger extent. At present, deliveries by the traditional consumer market suppliers were increased from the current production and standard supplies of materials. A better enhancement of above-norm supplies and production waste was not accomplished. Hitherto the results in fulfillment of the Federal government decree indicate that the production possibilities of organizations in the field of accessory productions are by far not exhausted. The slow development of these productions and deliveries is the result of their lengthy preparation and unsatisfactory knowledge of the market. The present overrun of deliveries in the framework of goal-oriented programs does not increase the variety of offered selections of consumer durables; there is only an increase in the number of goods supplied to their actual range of assortments.

12707

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CZECHOSLOVAKIA

AGRICULTURAL WAGE SYSTEM IMPROVEMENTS VIEWED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak No 3, 1985 pp 97-100

[Article by Eng Jan Sinak, SSR Ministry of Agriculture and Food: "Improvement of Economic Efficiency of the Wage System in Agriculture"]

[Text] The challenging tasks of the further development of our economy demand that managing operations on all its levels and in all its sectors be improved. There is no doubt that this demand applies also for the branches of agriculture and food industry in which rational and efficient intensification of production appears now on the agenda. The fulfillment of objectives outlined by the Eleventh Session of the CPCZ Central Committee presupposes activation of all factors of production, among which the human factor continues to dominate. Basic mechanisms for positive influence on workers involved in the production process are personal and collective wage incentives. It may be noted that as an indivisible part of management, the importance and purpose of rewards for work performed are now appreciated also in agriculture enterprises more than in the past. However, it is imperative not only to speak about the importance of the system of rewards, but to implement in practice measures which help link in the best possible way the development of salaries and wages with production and economic achievements of teams and enterprises. This demand is self-evident and most timely, because with increasing tasks the conditions for accumulation of resources for wage increases are becoming more rigorous.

Therefore, effective wage incentives, their interrelation and differentiation, which are reflected in final results of agricultural production, the concurrent improvement of enterprise subdivision khozraschet and the development of team methods of labor organization and rewards were the topics of discussion of the recent plenary sessions of the CPCZ Central Committee, of the conference on state farms, and especially of the 10th JRD [united agricultural cooperatives] Congress.

Managers, particularly those in economic sectors, are focusing at present their attention on tasks stemming from the program for improving economic efficiency of the wage system -- on its second stage. Numerous aktivs and work conferences were held, from the level of the ministry up to enterprises. In conjunction with the instructions of the SSP MPV [Ministry of Agriculture and Food], the middle echelons of management and individual organizations adopted their own political-organizations policies and are gradually

approaching practical wage and technical preparations for the implementation of changes in our tariff system and for the selection of more effective forms of rewards for 1985.

The topic of discussions at membership meetings of the ROH [Revolutionary Trade-Union Movement] basic organizations and of the CPSL basic organizations in many state farms, agricultural cooperatives and service organizations concerned the objectives and aims in the second stage in the fulfillment of the program for improving economic efficiency of the wage system. Preparations are proceeding at full steam especially in enterprises which are facing implementation of the second stage already in 1985.

The basic policy which follows from the second stage in the fulfillment of this program is the adaptation of the tariff system for workers as well as for technicians and economists. The value of wage rates in workers' categories on the same scale has been raised on the average by about 10 percent. Nevertheless, at the same time all branches of production in agriculture are classified in higher categories of wage rates than thus far. Primary agricultural production, i.e., crop and livestock production, not including poultry farming, is classified as No 4 on the scale of wage rates; at present mostly scale No 3 applies here, and scale No 2 for manual labor. The shift in the classification of agricultural production and higher wage rates are reflected in the 18-20 percent average wage increase, while the raise amounts to 28 percent for manual laborers involved in crop production. In the current structure of workers in state farms, with stipulated work hours and fulfillment of work norms, wage rates, including premiums, increased on the average by a total of Kcs 325 per month. Naturally, this is a mechanical comparison; it has to be underscored that the new tariff system will be applied in framework of the volume of wages payable which the organizations will create by meeting the decisive indicators of the economic plan. An important condition here is the fact that a rational wage structure be also guaranteed after the new tariff system has been introduced. Despite higher wage rates, bonuses and rewards must represent at least 15 percent of tariff wages. It will not be a simple task to meet this requirement under the current structure of wages, the amount of work hours per worker and thorough application of standards for labor consumption in most of our state farms and agriculture cooperatives.

For those very reasons the instructions of the SSR MPV stipulate for organizations highly demanding conditions and criteria for the fulfillment of the second stage in the program for improving efficiency of the wage system. Among the decisive criteria are good basic standards of labor consumption. Not later than when the enterprises crosses over to the new tariff system all enterprise subdivision standards for labor consumption as well as correct use of branch standards in force must be thoroughly reassessed. The level to which this task will be met will have a very substantial impact, particularly on the drawing of tariff wages immediately after new tariffs are introduced as well as in the future, because it is of importance whether the standards are highly exceeded at the current level of tariffs or when higher tariffs become applicable. The insistence on good basic standards is justified because as many as 76.7 percent of the workers in the

state sector of our agriculture are following the standards for labor consumption. Although in general average fulfillment of standards is not particularly high (about 113 percent), some agricultural enterprises exceed even 130 percent, and fulfillment of standards at more than 150 percent is not exceptional in certain jobs, especially in crop production. Objectivation of labor consumption standards will be one of the main resources to cover wage demands stemming from the adjusted tariffs.

More determined steps must be taken also in expanding the standards and in their application, above all in auxiliary processes and services and in enterprise subdivision services -- in payments to repairman and maintenance personnel, employees of construction teams, transportation, fodder supply, etc. Only in exceptional cases it is possible to apply performance standards; therefore, in such workers' jobs standards of numerical strength must be used. The demands for workers in individual sectors cannot be subjectively assessed; they must be objectively -- technically and economically -- justified. In the same way, classification of such workers in individual categories must be reviewed so that the rating in classes correspond with the structure of work actually performed by a particular workers and so that it correspond with the applicable catalogue of qualifications.

Good standards in the enterprise make it possible to pay rewards according to merits, because only if objective criteria for assessments of achievements are available to us, we can differentiate rewards according to the amount and quality of labor. In this context the question of the application of technical and economic standards in personal and team wage incentives comes to the fore. Much has been recently done in this sector. Most agricultural enterprises set standards for the consumption of motor and other fuels, seed grain, seedlings, or protective chemicals and fertilizers, standards for fodder consumption, and so on. However, the objective for the coming period will be to upgrade technical and economic standards of enterprise subdivisions so that their level stimulate workers to the best possible, top achievements. As a matter of fact, technical economic standards of enterprise subdivisions are often scaled down to inferior achievements and thus, it is not unusual, for example, that there is hardly any difference in wages between enterprises with distinctly different losses of young livestock or quality of milk. As for the technical-economic standards, we should underscore the importance of supra-enterprises links of management which may be the most competent to judge the legitimacy of different requirements of the standards. District and provincial managing commissions will focus their attention on them when approving requests from organizations for permit to proceed with the second stage in the program for improving economic efficiency of the wage system.

In the framework of wage and technical preparations of enterprises for the introduction of the second stage of that program, the efficiency of wage standards applied in individual categories and skills of workers must be subjected to technical economic analysis. We certainly do not mean only passive conversion of rates per unit of performance, production or utility value to new tariff conditions. Critical reviews will consider whether a specific wage form and methods of its application had any effect on improving



the quality of production and labor, on cutting of material costs, on intensifying production -- in brief, on efficient intensification of the most important indicators in appropriate groups of workers. Technical-economic analyses must answer our questions whether the method of application of the wage form guarantees justified differentiations of rewards, or whether the variances in the amount of wages correspond with the differences in the achievements of individuals and teams. Since the implementation of the amendments to the tariff system has essentially changed the structure of wages, all enterprise subdivision regulations concerning rewards -- in other words, regulations concerning bonuses, grants of rewards for performance, rewards from the manager's fund, regulations for grants of shares for economic achievements -- will be updated. However, this is not only a matter of changes in basic rates for bonuses or the amount of shares or bonuses for the purpose of redistributing incentive factors in tariff wages. When reviewing the forms of wage incentives paid to livestock attendants, their rating system will be revamped, particularly in terms of the marketing potential and of substantially higher demands on the quality of production and performance. The system of rewards to dairy attendants will be assessed individually; here it is desirable to link part of tariff wages (40 - 60 percent of basic wages) to the quality of care, observation of health regulations and technological discipline, and leaving only the remaining part (60 - 40 percent) for rewards for the achievement of the planned utility value. The incentive factor must be targeted on the achievement of the required quality of milk, indicators for replacement, the most economical use of grain fodders, and other material costs. Milk of inferior quality is a waste; wages cannot be paid for such milk and the technicians responsible [its production] must be penalized. By the same token, we must insist that the standards for service in livestock production be not excessively exceeded, because care for more heads of livestock is usually to the detriment of the quality of care, hygiene and often also of utility values.

Particular attention must be focused on the selection of indicators for other employees, especially technicians and economists; they must be aimed at the qualitative aspects of production, or as the case may be, at operations and programs related to the fulfillment of decisive tasks in the program for more profitable economy of production. In this case we must not forget the requirement that the indicators determining grants of bonuses and rewards express in fact tasks stemming from the job structure and from the extent of the employees responsibility, that they proceed from tasks stipulated by the enterprise subdivision economic plan for teams, because it is no exception that technicians or managers of operations in economic centers are expected to fulfill indicators of enterprise-wide type; there were even cases where, for example, the indicator for the grant of bonuses to managers of security and labor safety was the fulfillment of the plan of profits.

Next to efficiency rating of wage forms, control and records of the amount and quality of labor cannot be disregarded. The objective here is to restrict as much as possible payments for various unproductive jobs, "indexed" idling, repairs, time lost in transit, etc. Rationalization of labor practice and cuts of overtime may offer additional resources necessary for the application of the new tariff rates.

The introduction of new ratings has changed the principle of the tariff system for technicians and economists. Enterprises must be thoroughly prepared for the implementation of this wage form. Next to fixed basic wages in a given class, the premise of the employees' personal rating is that, instead of the amount of wages, actual achievements of the employees' working qualification, employment over an extended period (1 - 2 years) are considered on the basis of special regulations in personal ratings which enable the managers to make distinct differentiation of merits of individual employees in the achievements of the enterprise. Thus far this opportunity has been lacking in particular in the category of technicians and economists. In their regulations enterprises will determine the level of personal ratings up to 30 percent of the basic wage, or in certain instances, up to 60 percent (instead of personal wages).

Organizations which are planning to implement the second stage in the program for improving economic efficiency of the wage system during the first 6 months of 1985 should have already prepared regulations for the implementation of personal ratings. Efficiency of personal ratings depends to a major extent on precise criteria selected for employees in individual sectors. Employees will be classified in homogenous groups according to their functions and jobs in which they serve. On principle [the groups] will include identical criteria expressing expertise, personal qualities and skills and efficiency over an extended period. It is in the competence of the enterprise to meet specific contents of such criteria and to focus primarily on the area in which the enterprise, organizational unit, workplace or the employee is lagging behind. In their entirety properly applied personal ratings should help improve the performance and achievement in the whole enterprise and also enforce the principle of merit in rewards to technicians and economists, where thus far achievements of labor and of the enterprise have not been adequately reflected.

Next to personal ratings, the new catalogue of qualification also offers wider opportunities for rewarding technicians and economists in a differentiated way according to their actual achievements. Within each function a span of 2 tariff categories is specified; the organization lists the employee in the lower tariff category. It may list the employee in the higher tariff category according to the function he performs, if his job is more strenuous, more responsible and more demanding and especially if his performance is excellent at all times. Jobs in the category of qualifications are listed on a substantially broader basis than thus far. For instance, the job described as "independent expert economist" includes all activities in the economic sector (planning, financing, economy of labor, invoicing, analyses, pricing, accounting, statistics, supplies, procurement, marketing, etc), while only 13 activities are specified in examples of the jobs. The correctly applied new catalogue of qualifications presupposes a review of the job structure of individual employees and correlation of their jobs with the work they are actually performing.

Technicians and economists whose achievements are excellent at all times, who are recognized as experts and furthermore, planners, technologists, standard-setters, foremen, operational technicians (agronomists,

zootechnicians, mechanizers), technical developers introducing, for example, technological systems, researchers, etc, have certain possibilities to obtain higher salaries.

Despite the fact that during the wage and technical planning for the implementation of the second stage in the program for improving economic efficiency of the wage system, numerous one-time measures must be implemented, the whole second stage must be regarded as a long-range tasks whose fulfillment calls for appropriate training of cadres for the units of labor economy. The tasks continue to be most challenging when the normative base is expanded and upgraded, when economically effective wage forms are implemented, when the team form of labor organization and rewards is developed, when enterprise subdivision *khozraschet* and the entire enterprise subdivision system of rewards are introduced. It is therefore imperative to provide for those challenges workers of corresponding expertise in sectors of labor economy, including rationalization and standardization. Those sectors of the SSR MPV had 2,319 employees as of 30 June 1984, which is 90 percent of the planned (systematized) personnel. Obviously, that is not negligible. Nevertheless, if we take a closer look at the job structures in units and at their organizational construction, we find that this quite often involves cumulation of jobs and job structures whose operations have nothing in common with labor economy or are only marginally connected with it. It is necessary to focus on this question in conjunction with the implementation of the second stage in the program for improving economic efficiency of the wage system, and to provide the required space for better quality of labor in this key sector. However, the fulfillment of immediate tasks related to the implementation of the second stage of that program demands that employees of the production, mechanization and other sectors become involved in the solution of individual partial measures, namely, by organizing work teams -- commissions.

A most important and challenging problem concerns acquisition of internal resources for the enforcement of new tariffs within the regulations in force for control and preparation of the enterprise plan. Resources for this increase will be obtained as follows:

--by objectivization of performance standards and labor norms, so that their fulfillment do not exceed 110 percent, and that the standards of services in livestock production be not exceeded;

--by counterplanning in which a 1:1 coefficient may still be applied in 1985, until the approval of the enterprise plan, while the middle echelons of the managing agency must approve the proposal of desirable outputs;

--by rationalization policies in production and management, by savings of technicians and economists, in auxiliary [services] and attendants, laborers, in administrative operations, etc.;



--by reassessing the applied methods of rewards and by introducing methods that emphasize the fulfillment of planned tasks, practice good stewardship and impose higher penalties for workers who have failed to meet their tasks, who do not practice good economy, whose work is substandard, etc;

--by adjusting the amount of incentive wage factors, so that the maximum of wages represents at least 15 percent of tariff wages;

--by organizing socialist competition and by encouraging workers' initiative focusing on desirable overfulfillment of production, cost-cutting, maximum economy in every area of enterprise operations;

--after all such resources have been exhausted, in most exceptional cases and with the consent of the SSR MPV the residual special compensation fund from the previous year may be used at most to the amount of 0.5 percent of wages payable.

Every organization will prepare a petition for the application of new wage conditions according to a specific outline supported by appropriate statistical documentation. After previous discussions and recommendations in the VHJ [economic production unit] commission, or in some cases, in regional agricultural administrative and in the commission of the SSR MPV, the Governmental Wage Commission will approve the first applications of designated enterprises. Next, the ministerial commission of the SSR MPV will discuss and recommend for approval one enterprise in each VHJ and regional agricultural administration. Applications of other enterprises will be considered in commissions of the VHJ and regional agricultural administration which will recommend, after the stipulations have been met, that the director of those organizations approve the application for new wage and payment conditions. Only after all organizations have obtained approval for application of new amendments, applications of general directorates will be discussed in the resort commission of the SSR MPV.

Principles aiming at higher economic efficiency of the wage system in fiscal organizations will be applied later, only after more branches of production have applied them.

The Governmental Wage Commission reviewed the principles of the program for improving economic efficiency of the wage system for united agricultural cooperatives early in December 1984. The program which proceeds from generally valid principles for the state agricultural sector has been adapted to the situation of individual agricultural cooperatives. It is not expected that those principles will be implemented before the second half of 1985 and in the following years.

The above-mentioned tasks represent major challenges for enterprises. All units of the enterprise must participate in their fulfillment. Our party and trade-union agencies as well as Provincial Cooperative Council agencies hold a pivotal position in the principles for the second stage of the program for improving economic efficiency of the wage system under the



internal conditions of the enterprise; in particular, they must acquaint their employees with the objectives which this system has adopted in order to intensify the merit principle in disclosing the untapped potential, in improving economy in management and labor production, in strengthening labor discipline and in fostering the initiative of the employees in our entire agriculture.

9004

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CZECHOSLOVAKIA

PURCHASE PRICE COST BASIS OF AGRICULTURAL PRODUCTS VIEWED

Prague FINANCE A UVER in Czech No 3, 1985 pp 163-170

[Article by Engr Kveta Burianova, CSc: "On Methods of Determining the Purchase Price Cost Basis of Agricultural Products and Its Materialization"]

[Text] The price of agricultural products under capitalism covers the production costs under the worst conditions, as long as market demand makes it possible to sell the appropriate products at these prices. Under monopolistic conditions, as well as in the face of growing sales difficulties, this price is maintained at a level which prevents agricultural workers from breaking out of worse conditions only with the assistance of state interventionism.

Under socialism, the functioning of the economic law of proportional development provides room for the planned channeling of the production process and for the coverage of its costs under all natural conditions.

Czechoslovakia, with its 0.31 hectare of agricultural land per capita, is ranked among the nations having the lowest amount of agricultural soil per inhabitant in Europe; consequently, it is necessary to utilize all agricultural land productively but it is necessary to adapt the structure and technology of production to natural conditions--in other words: to find an effective specialization even for the worst conditions and not to rely on the state to cover any kind of expenses incurred in the utilization of the soil. From the standpoint of fertility, agricultural land is divided into 136 location units, which are aggregated for purposes of analysis into 13 zones, of which Zone 1 has the best and Zone 13 the worst natural conditions.<sup>1</sup> Zones 1 through 8 account for 82 percent of market production, Zone 13 accounts for only 2 percent with purchase prices on state farms covering only 64 percent of costs.

For purchase prices to fully cover expenses and the necessary profits under the worst conditions would require their elevation by more than 50 percent. On the other hand, it would be necessary to implement a massive increase in the land use tax to siphon off excess funds under better natural conditions, which produce the lion's share of market production.

In the interest of limiting excessive distribution processes in agriculture and in support of a policy of "inexpensive foodstuffs" which also influence the production costs of manpower, the cost basis has been moved, according to

plan, to the area of average natural conditions, which produces the decisive mass of agricultural products. To cover the higher costs and profit requirements under relatively worse natural conditions than those which were taken as a basis for establishing purchase prices, differential contributions granted on a graduated scale per 100 korunas of market production with respect to selected products up to 80 korunas were applied in 1967 as can be seen from Table 1. On the other hand, under better natural conditions with lower costs per product unit, the differential net income is siphoned off by the land use tax with a firm rate per hectare of agricultural land on a graduated scale--currently up to 1,500 korunas per hectare of agricultural land; for the 8th Five-Year Plan, and in the interest of increasing the pressure to make more profitable use of land, it is anticipated that the rates will roughly double. The sum of financial means expended on differential contributions in the first year of its application was only slightly higher than the land use tax which documents the location of the cost basis in the area of average natural conditions. In subsequent development, differential contributions underwent an increase as a result of rising purchase prices, as new products were added (selected types of vegetables and fruit), as new sectors of activity were added (large-scale fattening operations), by increasing rates and their differentiation (products resulting from the keeping of cattle, sheep, from cultivating potatoes, flax to the extent of 140 percent of the planting, hogs to the extent of 90 percent of their startup costs, poultry to the extent of 50 percent of startup costs), so that currently the sum of differential contributions is higher than the stagnating level of the land use tax by more than sevenfold. This indicates a shift in the purchase price cost basis into the area of better natural conditions, particularly through the effects of the differentiated construction of both instruments in solving the effect of the differential allowance. Whereas the volume of the land use tax, set at a rate per hectare, declined mildly as the amount of agricultural land decreased, the differential contributions, which are designed as a percentage contribution based on sales, rose with a rise in market production and with the rise in purchase prices. Added to this was the influence of increasing rates in the state sector in the interest of solving its income situation. The diametrically opposite development of both economic instruments in solving the influence of the differential allowance proceeded while the initial enterprise approach was maintained, which is suitable given the universal structure of production, despite the fact that over 18 years of the validity of our system, our socialist large-scale production moved to narrower specialization and changed from "manufacturing" technologies to large-scale production technologies. Although these changes forced a graduation of the differential contributions into four groups, the materialization of this empirical solution remains an unfulfilled task.

During the long period of validity of the system, the situation in our agriculture has undergone changes in a number of directions in comparison with the period during which the system was introduced (the 4th Five-Year Plan):

1. In place of universal production, there already exists a specialized type of production with the required amount of concentration which makes it possible to apply mass production technologies.

ii. The demand for foodstuffs is essentially saturated from the quality standpoint; sales problems are arising, particularly with respect to livestock production.

iii. The intervention represented by prices of capital goods, which were introduced in 1967, have been largely removed in the interest of increasing pressure on rendering production more profitable, the remaining problems will be solved in the 8th Five-Year Plan.

iv. Purchase prices and pricing instruments to cover the higher prices of input capital goods but also to strengthen the income situation in agricultural enterprises have been developed.

v. The rise in price coverage has made possible:

a) the balancing of wages for work in agriculture on the basis of comparable professions in other branches of the national economy (in JZD's even above this level),

b) the removal of excessive differences in the profitability of agricultural products and the adjustment of profitability so as to have it secure the financing of the planned expansion of production not only for the enterprise but for the individual product involved.

Table 1. Coverage of Costs Incurred by JZD's and State Farms in 1982 Under Various Natural Conditions, in percentage

Indicator	Location Zones								Average
	1-6	7	8	9	10	11	12	13	
Coverage of costs through sales									
JZD									
Czechoslovakia	110	106	102	105	100	99	--	--	108
Bohemia	108	--	95	90	88	86	83	80	94
State Farms									
Czechoslovakia	89	86	81	70	72	--	--	--	85
Bohemia	98	--	81	70	77	69	68	64	78
Increased sales through differential contributions									
JZD									
Czechoslovakia	1	4	9	13	21	31	--	--	5
Bohemia	5	--	13	17	26	36	54	68	34
State Farms									
Czechoslovakia	22	40	50	50	60	--	--	--	36
Bohemia	13	--	40	49	46	66	76	79	45
Share of Czechoslovak JZD's and state farms in agricultural market production	59	11	12	4	6	4	2	2	100

The further rationalization of management in agriculture for the 8th Five-Year Plan requires that we react to these changes by a more effective materialization of the price coverage pertaining to individual products under all natural



conditions. Specifically, this means the materialization of the product cost basis, of product costs and even the objectively necessary requirement for profits to secure the financing for the planned expansion of production.

Purchase prices set in this manner must be augmented by differential contributions as a difference between the materialized calculation of purchase prices and overall price coverage.

The initial problem of selecting the cost basis, which is the subject of this article, has several aspects; we shall analyze them in the subsequent portions of this contribution.

#### Cost Bases From the Standpoint of Natural Conditions

In the aggregation of location zones, the land use tax terminates in Zone 6 and, beginning with Zone 7, the more specific differential contributions take effect. Consequently, the middle zone--Zones 6 through 8--should, according to traditional theory, form the purchase price cost basis. However, in these zones, the above-average share of production is concentrated only with respect to common potatoes and flax,<sup>2</sup> a slightly better than average production share is accounted for by barley, rape, milk and cattle. This concept is a leftover from the time during which economic instruments were solved on the basis of the enterprise approach, when it was sufficient to secure the financing of the production process in the enterprise as a whole, because the structure of production was established in detail by the plan. The strengthening of economic independence in agricultural enterprises, the limitation of the directing tasks of the plan, resulted in the need to thoroughly solve the economics of individual products, of which some are produced under a broad range of natural conditions. Given today's system of global differential contributions, a situation arises in which, for example, the fattening of pigs in a corn region, where a natural fodder base exists, registers a profitability in the Compendium of JZD's for the year 1983 at 3.8 percent, in other words lower than the percentage in a mountain region which is unsuitable for specialization, where the recorded level is 10.3 percent. The greatest room for selecting cost bases exists with respect to wheat, barley and products resulting from the keeping of cattle, which are produced essentially under all natural conditions but the mass of the production is accounted for by Zones 1 through 8. In contrast, with respect to corn for grain, sugar beet, tobacco, grapes, etc., where production is concentrated mostly in Zones 1 through 4, Zone 4 can be considered to be the relatively worst zone with respect to mass production; in the event of the planned shift of the cost basis in the direction of better natural conditions, the supplemental instrument of subsidy would have to be applied in this particular zone. Similarly, it is necessary to approach the selection of the cost basis with respect to products which are mass produced only under worse economic conditions, as is the case, for example, with flax, late potatoes, products based on the raising of sheep, whose production is concentrated into Zones 6 through 13. Detailed data are listed in Table 2.

From the above it is clear that the problem of purchase price cost bases and the setting of supplemental price coverage is differentiated from the standpoint of natural conditions which are typical for groups of products--a factor

which is valid under conditions governing market production in general: It is, therefore, not possible to replace the product-differentiated approach with a universal enterprise approach with a uniform zone supplemental price subsidy which is appropriate to the requirement of solving the income situation of agricultural products under worse economic conditions but fails to respect the function of the product price subsidy (purchase prices plus differential contributions) as a criteria of the effectivity of the funds expended.

Table 2. Share of Production of Agricultural Products in Location Zones Within JZD's in Czechoslovakia for 1982, in percentage

Product	Location Zones				Zones With Predominating Production
	1-6 With Land Use Tax	7-13 With Differential Contributions	Middle 6-8	With Predominant Production	
Wheat	72.3	27.7	20.3	84.4	1-8
Barley	65.2	34.8	31.8	87.3	1-8
Corn for grain	77.8	22.2	5.0	80.5	1-4
Early potatoes	65.1	34.9	20.3	70.5	1-7
Other potatoes	23.1	76.9	59.0	76.9	7-13
Flax	11.8	88.2	66.2	88.2	7-13
Rape	63.9	36.1	35.7	85.9	4-11
Sugar beet	93.3	6.7	3.4	86.6	1-4
Tobacco	75.2	24.8	6.0	68.4	1-4
Hops	94.1	5.9	10.8	80.5	1-4
Grapes	88.9	11.1	4.6	83.6	1-4
Milk	58.4	41.6	31.5	80.6	1-8
Slaughter cattle	56.2	43.8	32.5	79.5	1-8
Slaughter hogs	69.1	30.9	25.1	85.4	1-8
Slaughter poultry	58.6	41.4	23.0	76.2	1-8
Wool	21.7	78.3	10.3	80.9	6-13
Share of agricultural land	51.6	48.4	29.7		

#### Cost Basis From the Standpoint of Sectors

The JZD's, which share in gross agricultural production in the socialist sector of agriculture to the extent of 66.9 percent and account for a total of 58.5 percent of all agricultural production, must be considered to be a decisive production sector. This share is, for the most part, greater with respect to individual products with the exception of vegetables (46.2 percent), and particularly with respect to sheep (20.3 percent), in plant production, livestock production and slaughter hogs (44.4 percent), slaughter poultry (41.7 percent) and eggs (11.8 percent), as well as slaughter sheep (39.3 percent) and wool (30.8 percent). Whereas the JZD's remain as the largest producers of vegetables, slaughter hogs and slaughter poultry, small producers who primarily assure their own natural consumption and only channel the surplus to the market are bigger producers of fruit, slaughter sheep, wool, eggs and honey. Consequently, their market share with respect to a majority of

products is low, as can be seen from Table 3. From the standpoint of the cost basis involving the majority of these products, the JZD must be considered the decisive sector, taking into consideration the expenses incurred by communal agricultural enterprises with respect to slaughter hogs and the expenses incurred by the state sector with respect to slaughter poultry. With respect to eggs, it is necessary to seek the cost basis in communal agricultural enterprises, whose share in market production exceeded 50 percent. The costs incurred by small-scale producers are the starting point only with respect to honey and some types of fruit and vegetables. With respect to vegetables, where the market share accounted for by small-scale producers amounts to only 15.3 percent the products involved are primarily horseradish (88 percent), radishes (65 percent), garlic (63 percent), lettuce (54 percent), pea pods (53 percent). Their share in market production of fruit (56.7 percent), particularly of nuts (90 percent), plums (87 percent), gooseberries (83 percent), fallen apples (75 percent), cherries (73 percent), pears (68 percent), "other fruit" (67 percent) and red currants (62 percent), has more weight.

Table 3. Share of Sectors in the Production of Agricultural Products--Czechoslovakia, 1983, in percentage

Product	JZD	State Farms	Centrally Managed Organizations	Communal Agricultural Enterprises (SZP)	Small-Scale Producers (including private plot farmers)	Market Share of Small-Scale Producers
Wheat	73.3	15.9	9.3	--	1.5	0.5
Rye	63.8	28.1	6.5	--	1.6	2.3
Barley	65.6	20.0	9.6	--	4.8	0.3
Corn for grain	71.9	11.3	6.1	--	10.7	--
Legumes, total	67.5	11.9	14.5	--	6.1	2.1
Potatoes	66.0	13.1	4.7	--	16.2	4.6
Rape	61.5	31.5	7.0	--	--	--
Poppyseed	85.5	3.5	0.7	--	10.3	5.4
Flax	75.4	22.2	2.4	--	--	--
Sugar beet	79.2	12.9	7.8	--	0.1	82.8
Chicory	99.5	--	0.3	--	0.2	100.0
Hops	73.4	22.2	4.4	--	--	--
Tobacco	88.1	6.5	4.6	--	0.8	100.0
Paprika (for spice)	80.2	2.3	1.0	--	16.5	93.8
Fruit	20.3	5.8	6.3	--	67.6	48.0
Grapes	57.6	5.1	8.5	--	28.8	65.6
Vegetables	46.2	4.7	6.9	0.4	41.8	40.3
Slaughter cattle	66.9	18.5	8.4	1.0	5.2	100.0
Slaughter hogs	44.4	10.9	10.3	18.8	15.6	1.4
Slaughter sheep	39.3	9.1	4.4	--	47.2	90.8
Slaughter poultry	41.7	18.7	19.8	11.6	8.2	14.7

Table 3 (continued)

Product	JZD	State Farms	Centrally Managed Organizations	Communal Agricultural Enterprises (SZP)	Small-Scale Producers (including private plot farmers)	Market Share of Small-Scale Producers
Milk	68.5	19.4	8.4	0.1	3.6	42.5
Wool	30.8	9.9	4.9	--	54.4	94.8
Cheese	65.6	13.3	6.5	--	14.6	42.9
Eggs	11.8	9.4	8.9	27.2	42.7	22.2
Feathers	--	--	70.6	--	29.4	33.6
Honey	1.0	1.6	1.3	--	96.1	89.9
Gross agricultural production	58.5	13.0	10.2	3.7	12.6	37.1

With respect to the types of products where weight is important, such as consumer apples, cucumbers, green peppers, kohlrabi, the small-scale producers account for about one-third of all market production; with respect to apricots and cherries, approximately one-fourth.

The costs and materialized profit needs with respect to products produced essentially by small-scale producers are lower by the tax component of the calculation and by operating costs; similarly, fixed costs, for example, write-offs, are lowered with respect to a unit of market production through the influence of the large share of nonmarket production. On the other hand, the producer price is generally stimulated to a higher level where a shortage item is involved.

Expenses incurred by the state sector of agriculture cannot essentially be considered as decisive with respect to any product, as can be seen from Table 3. The inclusion of these costs in the purchase price cost basis would make it illogically, since the material reasons for higher production costs are for the most part, the results of a higher share of production of the appropriate product under worse natural conditions, a situation which is solved through the granting of differential contributions. Therefore, the proposals submitted by the VUEZVz [Research Institute of Agricultural and Alimentation Economics] to select as the purchase price cost basis the average costs of JZD's and state farms must be considered as unjustified pressure on raising the level of purchase prices.

#### Standardized Cost Basis

To materialize the cost basis, constantly greater use of standard costs, worked out in the VUEZVz<sup>4</sup> in Prague and covering more than 300 agricultural products, has occurred over recent years. Their utilization is increased through the possibility of differentiating according to the per hectare yields attained and in accordance with utility, as a result of branch concentrations,



various natural conditions and in accordance with the technical-organizational levels.

These standards stem from the costs appearing in the Compendium of JZD's which follow costs but are objectivized with an eye toward material balances and scientifically determined relationships between production consumption and the resulting effect, particularly with respect to direct costs (consumption of fertilizers, fodder, seed, manpower costs, etc.). With the aid of this differentiation, they may be applied to all sectors since, for example, the costs incurred by state farms are objectively higher, after the exclusion of subjective factors, in consideration of the fact that state farms operate primarily under worse natural conditions which, together with lower intensity, influences the application of organic fertilizers and the per hectare yields attained; the larger area of these farms, together with an obsolete and frequently territorially fragmented production area, contributes to higher operating costs.

The principal argument against utilizing these standards as a purchase price cost basis is the fact that, with respect to the majority of products, they are somewhat lower than the actual costs listed in the Compendium of JZD's. On the other hand, it has been analytically proven<sup>5</sup> that standard costs per hectare of crop or per animal feeding day were exceeded particularly through raising costs for mechanization and for operations; in other words, these are components which it is most difficult to apportion between agricultural and nonagricultural activities in an agricultural enterprise, including self-help construction, and areas which show the greatest number of problems with respect to standardization.

In 1983 actual costs listed in the Compendium of JZD's per hectare of crop or per 100 animal feeding days were higher in comparison with the standards by approximately 10 percent with respect to grain crops, whereas they were mostly lower with respect to industrial crops and slaughter livestock; in the case of grapes, the costs attained a level of only 83 percent of the standard. With respect to flax (by 15 percent) and potatoes, where the highly unprofitable costs of brigades were reflected, the standards were surpassed at a higher level. In calculations involving a unit of product, deviations are mostly higher, particularly with respect to products where the per hectare yields failed to reach the average of the past 7 years, of which 1979 and 1981 were extremely handicapped by drought. The figures are lower in communal agricultural enterprises as a result of the influence of higher per hectare yields in wheat and as a result of a higher amount of milk productivity, as well as being based on a higher amount of eggs produced. A more detailed comparison can be seen in Table 4. The standards eliminate some temporary influences from the cost figures (costs for brigade work in the case of late potatoes, excessively high manpower costs with respect to grapes, etc.), they drop higher costs influenced by worse natural conditions which are covered by differential contributions (the influence of including state farms into the cost basis). The standardized costs are not influenced by deviations in per hectare yields of individual years and are made more precise for each year, taking price influences and more permanent changes in actual results attained by agricultural enterprises into account; therefore, it is necessary to consider them to be the most objective cost basis for purchase prices.

The costs per unit of product form a completely predominant component of the purchase price, so that differences arising from the use of various cost bases can, by their weight, influence the purchase price more than a different method of calculation of the magnitude and method of including profit in the purchase price. From a comparison of product figures it is clear that the differences stemming from including the costs of state farms into the cost basis are negligible. The higher figures pertaining to rye, barley, rape and hops more likely stem from the greater share accounted for by the size of state farms operating in worse natural conditions. The figures of the standardized costs clearly influence the figures pertaining to theoretical costs worked out by the method used by the Federal Pricing Office,<sup>6</sup> whereas the actual prices listed by the Federal Statistical Office, particularly where they include differential contributions, have a close relationship with the costs listed in the Compendium of JZD's, with the exception of sugar beet and wheat. The ratio between the theoretically calculated prices according to the method used by the Federal Pricing Office essentially does not differ from the calculations pertaining to the cost bases listed in the Compendium of JZD's where the materialized net profit is broken down by products in relationship with production areas.<sup>7</sup> It can more easily be said that the calculated prices of the Federal Pricing Office show a stimulation of exports (sugar beet, hops) and of anti-imports (rape).

Table 4. Comparison of Standardized and Actual Costs From the Compendium of JZD's for 1983

Product	Costs Per Principal Product (Kcs/ton, 1,000 l, 1,000 each)				Index,		
	Compendium of JZD's (yields)		Standards (yields)		Compendium of JZD's/Standards		
	Average,		Average,		Yields		From Calcu- lations Per Hectare, KD*
	1983	1977-1983	1983	1977-1983	1983	1977-1983	
Wheat	1,164	1,375	1,202	1,128	97	122	108
Rye	1,522	1,695	1,379	1,349	110	126	109
Barley	1,242	1,335	1,005	988	124	135	109
Corn for grain	1,913	1,880	1,528	1,543	125	122	111
Rape							
Early po- tatoes	2,107	2,012	1,448	1,471	148	137	106
Late po- tatoes (con- sumer)	1,565	1,532	983	1,003	159	153	125
Flax (stalk)	2,534	2,792	2,178	2,033	116	137	115
Sugar beet	429	369	255	264	168	140	102
Hops	61,895	60,176	52,513	52,778	118	114	106
Grapes	4,646	5,832	4,576	4,211	102	138	83
Milk	3,720		3,790		98		112

Table 4 (continued)

Product	Costs Per Principal Product (Kcs/ton, 1,000 l, 1,000 each)				Index,		
	Compendium of JZD's (yields)		Standards (yields)		Compendium of JZD's/Standards		
	Average,		Average,		Yields		From Calcu- lations Per Hectare, KD*
	1983	1977-1983	1983	1977-1983	1983	1977-1983	
Cattle-- fatten- ing, incre- ment	21,960		19,009		116		105
Hogs-- fatten- ing, incre- ment	13,510		1,146		118		104
Eggs:							
JZD, 1983	851		862		99		
SZP, 1982	773		868		89		

\* KD = animal feeding day.

Note: The standards were adjusted for per hectare yields attained in the Compendium of JZD's.

For comparison purposes, purchase prices of the GDR are listed in which live-stock production is more stimulated but wheat and late potatoes are stimulated less. A more detailed comparison of product relationships is seen in Table 5.

Table 5. Agricultural Product Costs Using Various Cost Bases (Wheat = 100)

Calculated per ton, 1,000 l, 1,000 each

Product	Costs Per Unit <sup>a</sup>		Realization Prices FSU		Theoretical Price Derived By			GDR Purchase Prices, 1984
	Standardized	Compendium of JZD's	1983	Including Differential Contributions <sup>b</sup>	FCU <sup>c</sup>	VUEZVz on Basis of <sup>d</sup>		
						JZD	State Farms	
Wheat	100	100	100	100	100	100	100	100
Rye	121	123	109	114	115	134	140	108
Barley	94	97	100	100	88	89	92	
Corn for grain	134	137	129	126	143	108	--	
Rape	225	222	244	250	211	195	198	230

Table 5 (continued)

Product	Costs Per Unit <sup>a</sup>		Realization Prices FSU		Theoretical Price Derived By			GDR Purchase Prices, 1984
	Standardized	Compendium of JZD's	1983	Including Differential Contributions <sup>b</sup>	FCUC <sup>c</sup>	VUEZVz on Basis of <sup>d</sup>	State Farms	
Potatoes--early	140	146	151	143	126	112	111	
Potatoes--consumer	95	111	94	110	86	95	95	74
Flax	189	209	208	221	175	--	--	
Sugar beet	26	27	24	23	25	24	24	23
Hops	4,538	4,393	4,620	4,441	4,458	3,959	3,984	
Grapes	387	424	428	411	385	387	--	
Milk	279	270	230	250	280	280	280	270
Slaughter cattle	1,616	1,642	1,650	1,460	1,590	1,600	1,600	1,570
Slaughter hogs	1,179	1,172	1,000	1,020	1,130	1,100	1,000	1,220
Eggs	65	62	52	51	62	58	55	59

a Costs listed by the Compendium of JZD's for 1983 and standardized costs for per hectare yields, average, 1977-1983, and utility 1983.

b Differential contributed added to JZD's.

c Standardized costs--calculated necessary profit--stimulating profit increase.

d Actual costs--materialized profit for total agricultural activity divided by products in relationship to wages and the amount of production area required.

## Conclusions

i. The plan shifting of the purchase price cost basis under socialism from the worst conditions in the direction of better conditions makes it possible to lower the level of purchase prices while anticipating the coverage of higher costs under worse conditions before it creates a cost basis through the use of supplemental economic instruments.

ii. The system of global differential contributions per 100 korunas of market production, as well as the thesis regarding the average zone of the purchase price cost basis uniformly applicable for all products reflect outdated conditions of the universal structure of production and outdated solutions of the income situation pertaining to agricultural enterprises as a whole. This approach leads to a deformation of the function of price supports as criteria of effectivity pertaining to the costs expended and can even destimulate a purposeful specialization of production (hogs).



iii. The cost basis cannot be uniform, either from the standpoint of natural conditions or from the standpoint of the predominating sector. The level of purchase prices can be determined solely by adding the levels of individual products determined by the cost basis under conditions of mass production.

iv. The most objective cost basis for purchase prices must be considered to be the standardized costs which are uniform for all sectors and differentiated with respect to appropriate natural conditions, per hectare yields, utility, concentration of branches and technical-organizational levels. Thus, the cost basis for individual products will not emanate from a certain territory but will be based on production involving certain parameters given the predominant technology of production and given average progressive indicators as planned for a given 5-year plan.

v. The differences in the methodological concept of the cost basis do not specifically influence purchase prices but can have an influence on the absolute increase in the level of purchase prices. Therefore, it is necessary to reject the proposal to determine the cost basis of agricultural products on the basis of average costs at JZD's and state farms.

vi. In rationalizing the price structure in agriculture for the 8th Five-Year Plan the standard product approach must be systematically employed. This requires the formation of price supports for all products and various natural conditions on the basis of standardized costs and materialized profit needs, purchase prices must be set on the basis of the selected cost basis and differential contributions must be set as a difference between the purchase price of an appropriate product and its overall need for price support as calculated on the basis of standardization.

#### FOOTNOTES

1. In the long term, it is anticipated that 42 groups of natural conditions according to the production effectivity of the soil will be used.
2. Also for rye, for which data are not available.
3. Proposed in the final report of the VUEZVz entitled "Proposal for the Materialization of Instruments To Solve the Effects of Differential Allowances ..." dated December 1983.
4. Under the leadership of Engr J. Burian, CSc.
5. Federal Pricing Office materials No 15345/83.
6. Theoretical prices developed by the Federal Pricing Office--standardized costs plus materialized profit requirement to secure planned production, calculated on the basis of data provided by the State Planning Commission.
7. Proposal by the VUEZVz contained in the "Final Report--June 1984."

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CZECHOSLOVAKIA

TRANSPORTATION MANAGEMENT IN EIGHTH 5-YEAR PLAN VIEWED

Prague DOPRAVA in Czech No 1, 1985 pp 5-7

[Article by Eng Ladislav Blazek, CSSR deputy minister of transportation]

[Text] In October last year the CSSR Government approved further guidelines for improving the system of managing the national economy after 1985, which closely follow resolution No 42/1980 of the CSSR Government and the tasks specified for the Seventh 5-Year Plan period by the 16th Congress of the Czechoslovak Communist Party.

For the transportation department this means analyzing the efficacy of the present system of planned management, taking the positive elements of current development as a starting point, and searching for more effective ways to reduce the unfavorable aspects, possibly eliminating them altogether.

The efficacy of planned management is being evaluated regularly in individual organizations also by means of the scientific research base of the department; from the developments to date during the Seventh 5-Year Plan stem the efforts of the Federal Ministry of Transportation, the economic production units and subordinate organizations to follow closely the precepts contained in the set of measures for improving the system of planned management of the national economy after 1980 under the complicated conditions existing in transportation, which necessitated many deviations from the generally valid precepts during the Seventh 5-Year Plan period.

Looking back briefly at the year 1983 and the progress of accomplishing the tasks of 1984, it is possible to state that the transportation needs of the national economy were met satisfactorily (by rail transport in particular), while a certain degree of improvement was achieved in the distribution of transportation work in favor of less energy demanding transportation sectors (rail and water transportation), and in reducing high demands on transportation. The performance of the indicator "adjusted value added" in some economic organizations (excluding rail, water, and air transportation) led to better utilization of capital assets, better management of limited expenditures, reducing high requirements for materials, etc. At the same time, it is necessary to make a positive evaluation on behalf of the Federal Ministry of Transportation of how consumption standards are being met, which will make it possible to exceed planned savings of fuel and energy (real savings were

2,551.4 TJ), increase the profitability of production assets by 5.4 percent as compared to 1982, fulfill measures for making capital investments more effective, and reduce unfinished construction (by 1,481 million Kcs as compared to 1982, in the case of RN constructions by more than 2 million Kcs); there was also a 4.2 percent increase in transit receipts as compared to 1982, and the fulfillment of the foreign currency plan continues to be favorable.

Another contribution is the streamlining of the planning process, clarifying the norms for material consumption, keeping within established limits for deliveries of centrally accounted for fuel and energy, continued realization of long-range programs for developing the normative base and a favorable development of inventories, as well as the gradual realization and intensification of the principles and rules of the *khozraschet* in all the sectors where conditions for it exist.

In presentations dealing with continued improvement of the system of planned management of the national economy after the year 1985, precepts are set forth, within the generally valid measures for the realization of the principal guidelines, for accelerating the transition of the Czechoslovak economy to an intensive type of national economic development, which is linked to a qualitative development of the labor force and a further deepening of production relationships. Accomplishing this not inconsiderable task in the spirit of the several last plenums of the Central Committee of the Czechoslovak Communist Party, presupposes a successful management of several somewhat difficult tasks, namely:

- reducing high resource requirements for production for raw materials, fuel and energy
- increasing efficient use of production assets
- improving results and increasing their utility value
- deeper incorporation of Czechoslovakia into international labor
- full utilization of technological developments
- putting a stop to the increase of inventories and improving the quality of their structure
- achieving and maintaining ecological balance, etc.

The basic guidelines for improving the system of planned management from the beginning of the Eighth 5-Year Plan, or rather during its course (as compared with the current practice of putting into effect the "Set of Measures" according to resolution No. 42/1980 of the CSSR Government) stress the need to increase prospective planning. The long-range outlook is becoming the principal guideline for increasing the efficacy of central planning. A uniform approach toward evaluating contributions to the formation of the national product on the basis of effectiveness criteria, is being applied more consistently. The five-year plan will be based on the strategic tasks of economic development.

The content of the directives for the five-year plan, the five-year plan and the total planning process will be corrected, with the aim of optimizing the state and economic plans, according to the criteria of macroeconomic contributions and effectiveness, and with the goal of achieving a natural income and spending balance of the plans. The role of long-term norm in the area of wages, investments and external relations is being strengthened. In context of the requirement to optimize and balance the plans, evaluating instruments (prices, profit, credit, foreign exchange) are being organically integrated into an internal planning process.

Within the system of plan indicators, the criteria of effectiveness are uniformly applied to plans of all time limits, to evaluating their fulfillment and in that connection also to khozraschet, tools of economic stimulation, management of prices, granting of credits, foreign exchange, to evaluation of technological development, investments, and in part also to regulating wages payable.

In the area of stabilization and linkage of the plans, the criteria of economic equilibrium are being applied more consistently.

In the area of prices, khozraschet and finances, the basic principles remain in force. The modernization of wholesale prices will continue, the access of organization to financial resources will be regulated more strictly. The requirement for more effective stimulation of enterprises is becoming an important factor; profit (loss) in domestic activities will be tied to the results in foreign trade; profit as a whole will be subject to levies for the national budget and will be a source for the financing of the economic production units and enterprises. The formation of assets is regulated by norms; the rules for creating and using assets are being simplified, a closer link between investment assets and technological development is being established, and undesirable redistribution restricted.

In the area of wages, a single-unit regulation of the total volume of wages is being introduced, usually by a norm expressing the increase in wages in relation to the increase of value added. This measure, together with considerable restrictions of creditable and deductible items and of conditioning indicators, has as its objective more stringent regulation of wages, simplification and modernization of planning, computing wage claims, etc.

As far as technological development is concerned, we are introducing a single category of economic plans for research and development. The requirements for accelerating the introduction of the products of technological development into practice are being enforced in a more comprehensive way in all areas of management.

In the area of the replacement process of fixed assets, the practice of apportioning for constructions according to the 2 million Kcs budgetary expense limits is being phased out, and centralized constructions are not considered to be an independent category of investment. Generally, a single investment fund will be introduced, which will be created according to norms from profits and write-offs. This is being done in an effort to strengthen the



responsibility of organizations and branch ministries for their own investments, for financing investments out of their own resources, and for creating these resources according to the plan. Mandatory rules for giving grants for mandated construction will be instituted. At the same time, policies for granting credit will be made more stringent.

To this brief review of the most important changes, there will further be added basic organizational principles for organizing the technical production base, which will have as their objective the prospect of creating effective and differentiated organizational structures. Another requirement is a continuity in developing the decisive role of the human factor in the economy, increasing the quality and professionalism of direct management and organizational work, strengthening the responsibility of management cadres, etc.

The Federal Ministry of Transportation, together with other branch ministries, shared in the planning and formulation of principles for further perfecting the system of planned management of the national economy after 1985. The object of the next stage will be to make certain that it will be put into practice in transportation. At the same time we will also aim at having certain modifications of general principles, set forth in the "Set of Measures" after 1980 and valid for the transportation department in the Seventh 5-Year Plan, more thoroughly worked out, taking into account new circumstances and conditions of the intensive development of the national economy after 1985, while giving maximum consideration to the most important specifics of transportation; that means, therefore, to work out in detail how to apply generally valid measures for the realization of the main guidelines to the specific conditions of centrally managed branches of transportation as well.

We start out with the position that the macroeconomic effect of transportation branches managed by the Federal Ministry of Transportation in the area of transporting goods and people is satisfying the transportation needs of the society and the public, with an emphasis on quality (being on time, speed, regularity and dependability) and reducing expenditures per transportation production unit in the transportation system as a whole. Quality aspect is becoming a deciding factor. The reduction of high transportation demands as one of the intensification factors has to be thought of as a problem for the whole economy. In this respect it has to become the object of continuing attention not only of the transportation branch but also of the central management agencies and central agencies of transporters; our objective is to place it in the subconscious of the economic public and the regional planning agencies at the same level as consideration of energy and material demands.

The growth of capital and investment intensiveness of transportation is faster from the long-range point of view than the increase in transportation output, because at work are such requirements as increasing the safety and refinement of travel, ensuring the defensibility of the country, ecological interests, the need to create reserve capacity, long-range service life of capital assets, etc.

A peculiarity of the transportation sectors (particularly rail) is the fact that expenditures dependent on transportation output constitute only a small

part of the material and wage expenditures, while the major part is independent of output. We have to take this also in consideration when developing principles suitable for transportation conditions. However, this must not lead to reducing the pressure to economize or create conditions for maximum savings of materials and expenditures connected with it.

In transportation we wish to apply the general guidelines for enhancing the role and efficacy of the system of criteria for evaluating effectiveness in such a way that the indicative capacity of general indicators will be critically evaluated before being used in determining and distributional processes, and ways to increase their exactingness will be sought with consideration of the above mentioned specifics of transportation.

Experienced personnel of the Federal Ministry of Transportation, railways and economic production units, together with the effective cooperation of personnel of the scientific research base and regional planning agencies are at present working intensively on perfecting planned management in transportation after 1985.

While maintaining the generally valid trends toward higher effectiveness and intensification in transportation, we are considering not to establish in the directives for the 5-year plan indicators of effectiveness of fixed assets expressed in adjusted value added, gross output and profitability of production assets, and to retain the currently used indicators of profitability of expenditures and share of working capital in inventories.

In the yearly state plan, we wish to retain in the case of most of the organizations of the Federal Ministry of Transportation department the practice of using the determination of profits as a binding indicator and profitability of expenditures as an indicator of effectiveness.

In the area of the financial plan and its linkage to the state budget, we are discussing the possibility of retaining the full level of write-offs of fixed assets to finance capital construction without a provision for payments into the state budget, and not requiring payments even from above-plan write-offs. We are further recommending that investment funds be created out of own resources, possibly from grants from the state budget. Keeping in mind the economic conditions of managed transportation sectors, we consider it essential that the current direct relations between the Federal Ministry of Transportation and the state budget according to the financial plan, and in connection with that to retain the levies of free balance of profits into the state budget through the means of the Federal Ministry of Transportation department on behalf of subordinate production units and directly managed organization. Further, we recommend retaining the formation of departmental capital reserves and the account of redistributing the profits from railway transport. As an indicator for regulating inventories, we are discussing "limits of the state of the inventories toward the end of the year," which would replace the currently used indicator "share of working capital relative to inventories" (in percent). We are recommending that the change in the instant of output realization be put into effect only in organizations of industrial railway repair shops and construction. Further, in the framework of the financial systems

of organizations managed by the Federal Ministry of Transportation, we are considering retaining the existing system of redistribution of resources and assets (including redistribution among economic production units).

When making plans for wage and replacement process of the labor force, we wish to introduce into the economic organizations a universal norm for creating wage assets. As regards railways, the volume of wages payable for the principal activities will be established absolutely in relation to the level of operation output.

In the area of the replacement process of capital assets, we are concerned mainly with maintaining within the category of investments an individual category "comprehensive reconstruction of railway lines" in the framework of capital construction limits.

From the above outline one can see that some obvious problems exist for the Federal Ministry of Transportation department, which will require extraordinary attention when working out the precepts for further intensification of the system of planned management not only on the Federal Ministry of Transportation level, but also as a consequence by railroads, economic production units and organizations, while making certain of accord among individual management levels so that they form a unified system of management even down to enterprise subdivisions. What is at stake is that the system of management in transportation be an effective tool of realizing the tasks of economic and social development under conditions of intensification, so that it will work more actively than has been the case so far in favor of full utilization of products of technological development and provide better conditions for creative activity of the working people. The mechanism of the management system has to be directed within the concept of the plan even through its economic tools toward an equitable fulfillment of tasks designed to ensure that transportation needs of the national economy and the public are met, and significant improvements of its effectiveness, more economical use of raw materials and energy resources, capital assets as well as human labor, is achieved. In its comprehensiveness and interdependence it has to perform therefore all the basic functions that are expected of it in the national economy. At the same time it is necessary to understand the limitations of development of transportation, which are circumscribed by the potential of the national economy to provide resources for the realization of forward looking transportation plans, be it in the area of improvement of transportation equipment or investment in transportation lines. We are therefore directing our attention, while improving and intensifying the system of planned management, at our department, railways, economic production units, to the demanding as well as weak points of their output and economy. Consistent fulfillment of all our tasks must be considered to be an indivisible part of preparatory work for the Eighth 5-Year Plan.

12605

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## CZECHOSLOVAKIA

## INCREASED ROLE OF ELECTRONICS IN 5-YEAR PLANS VIEWED

Prague MECHANIZACE A AUTOMATIZACE ADMINISTRATIVY in Czech No 4, 1985  
pp 122-125

[Article based on a speech by Minister Milan Kubat at January Meeting of Federal Ministry of the Electrotechnical Industry: "For the Electronization Program"]

[Text] In April of last year the CPCZ Central Committee discussed at its 10th Plenum the objective and current situation in the engineering, electro-technical, and metallurgical industries, particular attention being devoted to the electrotechnical industry. The main objectives contained in the resolution of the 10th Plenum of the CPCZ Central Committee were: increasing the pace of growth, upgrading plan objectives, increasing efficiency, and intensifying the national economy.

The electrotechnical industry increased its growth rate by so much in 1983 and 1984 that it has a real chance to fulfill the objectives of the Seventh 5-Year Plan. Exports to nonsocialist countries remain a critical and as yet unresolved problem area for this sector in the current 5-year plan.

In September of last year the CSSR Government approved a program for the electronization of our entire national economy by 1995, with responsibility for developing the material and technical base for this electronization falling to the electrotechnical industry. Since this sector was created, priority has been given to the production of electronic components. Their production has been growing at an annual rate of 125-130 percent, yet there is still a shortage of them caused by the rapid increase in electronization in our finished products and the ongoing introduction of electronics in all sectors of our economy.

Among the positive results of the past year is the rapid development of micro-computer technology, and the startup of production of the 67 centimeter color picture tube in new facilities with their own glassmaking capability at Valassky Mezirici. Products with a high level of technical sophistication increased as a percentage of total output. Objectives in mine and nuclear power plant construction were met with extraordinary efforts. Nevertheless a number of shortcomings remain in capital deliveries, in efficiency and in exports.



This year is the 40th anniversary of the culmination of the national liberation struggle of the Czech and Slovak people and of the liberation of our homeland by the Soviet Army. Throughout the world activities will continue to preserve peace and to prevent nuclear war. The employees of the Czechoslovak electrotechnical industry will also participate in these efforts, contributing to them through their successes in fulfilling plan tasks, the quality of their output, increasing production efficiency, increasing the competitiveness of our products on world markets, and by speeding up innovation in our products and systems.

After evaluating the results of 1984 plan fulfillment, Minister Milan Kubat turned his attention to the demanding plan for this sector for this year.

#### Plan Tasks for 1985

In view of the exceptional fulfillment performance by this sector in 1983 and 1984 our tasks for 1985 have been upgraded by CSSR Government Resolution No 120/84. In 1985 the Federal Ministry of the Electrotechnical Industry (FMEP) will increase its output by 110.1 percent, thereby fulfilling the goals of the 16th CPCZ Congress of an increase in production over the Seventh 5-Year Plan of 150 percent. We intend to achieve this above average growth mainly in areas falling under state priority programs 09 and 11:

-- State Priority Program 09 - Electronics: section 371, electronic components, an increase of 118.3 percent; section 372, semiconductor components 123.6 percent; section 373, microelectronic circuits 155.4 percent; section 375, vacuum components, 122.3 percent.

-- State Priority Program 11 - Equipment for Automated Control Systems for Processes Related to Production and Nonproduction Activities - section 403, computer technology, 124.7 percent.

In assuring the production plan particular attention must be paid to the implementational outputs of the state R&D plan, where we have so far been unsuccessful in meeting planned targets. The most important such outputs of R&D in terms of magnitude are the following:

--at the Banska Bystrice Computer Technology Plant: beginning the production of the advanced SM 52/11-1 minicomputers in 55 configurations valued at Kcs 48 million; beginning the production of the SM 30/50-1 microcomputer in 200 configurations valued at Kcs 40 million;

--at the Cakovice Machinery and Automation Plants: beginning the production of the EC-1027 computer system in 7 units valued at Kcs 55 million;

--at the Kladno and Bratislava Kablo plants: begin the production of innovative cables and XPE insulation to 22 kilovolts with a run of 500 units valued at Kcs 53 million;

--at the Piestany TESLA plant: begin the production of the NMOS memory equivalent 2114 and 2718 in a run of 88,000 units valued at Kcs 20 million;

--at the Roznov TESLA plant: begin the production of a set of 8 bit converters, in a run of 545,000 units valued at Kcs 22 million.

In addition, it is essential to pay attention to every completed R&D project, no matter how large or in which organization and to make the effort to achieve requisite production increases.

#### Planned Targets in Marketing Categories

##### Additions to Capital

In 1985 our sector is facing contractual responsibilities for deliveries to construction projects of the fuel and power complex as well as at several projects that are being monitored by the Czech, Slovak and Federal Governments.

The newly created economic production unit [VHJ], ELEKTROMONT, will have to play an important role in meeting the targets in the above capital investment areas. This new VHJ, in addition to covering resource requirements, will also have to adapt itself to the capital investment pace of the construction and engineering sectors. The following specific projects will receive our attention in 1985: Unit 2 of the Bohunice nuclear power plant; Units 1 and 2 of the Dukovany nuclear power plant; the Maxim Gorkij Open Pit Mines; the cold rolling mill at the Beroun KZ; the aniline unit at the Ostrava MCHZ, the Kosice mill and others. All must be completed on schedule.

##### Consumer Goods Inventories

Deliveries to consumer goods inventories in 1985 will increase by 109 percent over 1984. The ambitiousness of this target has been clear ever since the plan has been adopted. There is still enough space for our products, however, on the domestic market, but we must come to market with products that are in demand.

We are more than 100,000 table model black and white televisions away from satisfying demand and must make up the difference with imports. The market for a small color television has so far proven to be twice as big as we have made deliveries for. In addition to production VHJ, TESLA-ELTOS has a role to play here.

We cannot be satisfied with the contention that supplier-consumer contracts between enterprises and VHJ were concluded smoothly concerning deliveries for the domestic market and that no conflicts arose. In fact we are quite far behind. Specifically we have to satisfy fully a domestic market demand for Kcs 7.4 billion of goods. Not only the TESLA-SE concern, which bears 62 percent of this load, needs to contribute to this target, but all VHJ which must organize the broader participation of specific enterprises to meet this demand, in the amount of at least 1 percent of the above value of goods.

It appears that the following enterprises have not yet met this objective: the Bratislava Electrical Engineering Factories, concern enterprise, the

Vsetin Moravian Electrical Appliances Plant, the Brno and Postrelmov plants of the same firm, the Brno Julius Fucik Electrical Power Plants; the Letohrad OEZ; the Teplice Electrical Engineering Plants; the Louny Electrical Engineering enterprise; the Dukla Machinery and Automation Plants in Presov; the Kosire Machinery and Automation Plants, the Strasnice TESLA plant, the Vacuum Technology Plants at Liptovsky Hradok and at Karlin, the Brno CHIRANA plant.

The goal we have set ourselves of delivering to market goods with a retail value equal to the wages we pay to the employees of this sector, is very much before us. In 1985 we are at present some Kcs 700,000 short of this goal. It is the responsibility of all organizations to resolve this problem as soon as possible, i.e. at the beginning of the next 5-year plan.

#### Exports to Socialist Countries

The annual increase in exports to socialist countries is projected to be 110.7 percent over 1984. The demanding nature of this target is indicated by the fact that drafts of annual protocols have reached only 91.4 percent of the target and supplier-consumer contracts only 81.7 percent of this goal. The enterprises of the VHJ face the task of completing negotiations for contracts up to the target amount of goods, then meeting the contract deadlines.

The objective of exports is to assure, mainly through specialized reciprocal shipments, inputs for the needs of the Czechoslovak electronics industry, primarily in the components base, for final products from the field of computer technology, consumer electronics, etc.

Special importance has also been placed on exports to the USSR, which will accept only products of high technical quality and demands deliveries at prices comparable to world competition. This means that it is necessary to make a fundamental change in trade policy with the USSR in 1985, and for the next 5-year plan. This change consists of producing the goods that the USSR requires (such as more television transmitters) and speeding up technical developments and innovations for all of the traditional components of our product mix. We must also assure the smooth and reliable functioning even of such complicated equipment as an electron lithograph.

#### Greater Flexibility and Enterprise

Assuring export targets to nonsocialist countries is a key problem of the sector which all enterprises must pitch in to resolve. The target for exports to these countries has been set at about 127 percent in comparison with 1984, and in comparison with the 1984 plan of 114.8 percent. The timely fulfillment of export targets is an economic necessity because this determines our capability for meeting import targets without which smooth production is impossible.

Our export capability to nonsocialist countries mirrors the technical sophistication and quality of our products. The successful fulfillment of export targets depends on almost all professions beginning with designers, design engineers, technologists, all production employees and the shipper. The sophistication of our marketing work, conducted with foreign trade enterprises also plays a big role.

An example of how it is possible, under the current difficult conditions, to increase the percentage of exports to nonsocialist countries are the activities of Bzmo Zbrojovka which is handling the delivery of a turn key facility for encompassing secondary and professional educational systems in Nigeria. This project can serve as an example to be followed rapidly by other VHDs which we are expecting a more assertive approach to the development. The conditions for fulfilling the function of a general contractor. These include the CHIRANA VHD for turnkey hospital projects, including the construction aspects of such projects, others such as TESLA-IE in the area of transmitters, the newly created ELEKTROMONT VHD for comprehensive facilities for measurement, control, electricity distribution and the like.

In contrast one can view only critically the shortcomings in the quality of exported products such as Al-cable and record players, in both of which areas there have been gross violations of production discipline.

The significant improvement in the sophistication of our products exported to nonsocialist countries which we expected from experiments in VHD has not as yet occurred. We are forced to state that insufficient use has been made of the possibilities offered by techniques such as contingent trade in cases where exports and imports are concentrated in one place, as is the case with the High Voltage Engineering Plants VHD and CHIRANA.

#### Input Levels Established in 1985 Plan

Limits to fuel and energy that have been set for 1985 in this sector are adequate for all fuels to assure the projected increase in the production of goods at the same time that the energy intensiveness of production will decline. The gradual introduction of technically documented standards next year for certain energy intensive products will set the stage for a permanent reduction in fuel and power consumption. Standardized consumption will represent 91 percent of fuel consumption and 9 percent of electric power consumption in this sector.

CSSR Government Resolution No 151/1982 concerning the Seventh 5-Year Plan for the FMEP mandated the implementation of a project related to State Priority Program 02 in 1985, namely savings in fuel and power in 1985 of 762 terrajoules. The implementation plan for state priority program 02 fully covers the above-mentioned task. Also included in the plan are suggestions based on public inspections of fuel and energy management. All VHD are also creating the conditions for assuring an orientational task of the state plan, directed at the concerns of this sector on the basis of the mandate of the 10th all-union congress to achieve further savings, in excess of the planned constraints of the task of the state priority program 02, in the amount of 124 terrajoules. In addition, this sector in 1985 will help to assure the objective of reducing the energy intensiveness of production in terms of fuels to 8 tons of standard fuel per Kcs 1 million in gross production, and in the electric power sector to 19.3 megawatt hours per million Kcs in gross output.

Within the constraints of State Priority Program 03 - Increasing the Efficiency of Metals Consumption, the FMEP sector has been directed to find in 1985



relative savings of 19,000 tons of ferrous and 3,500 tons of nonferrous metals. This important task has been incorporated by VHJ into their implementational plans including the orientational state plan task that came from the declarations of the 10th all-union Congress. The 1985 plan corresponds to the actual capabilities of the sector and finishes off task assurance for the entire Seventh 5-Year Plan.

### Capital Construction

The ambitious objectives of this sector contained in output indicators in the plan are based on an ongoing increase in capital resources. In 1985 this index will be 1.19 with 1984 as a base. This places still greater demands on the timely and high quality preparation of construction projects where everything is not always in order.

In 1985 11 new construction projects will be started, which is about 50 percent more than in 1984, while efforts at completing outstanding projects will be focused on 8 projects, a two-fold increase from 1984. For the development of the electrotechnical industry 5 construction projects are critical. They are valued at Kcs 628 million, with Kcs 438 million being for construction work. These projects are the expansion of the Machinery and Automation Plant [ZPA] at Pecky, a division of the Cakovice ZPA; Bratislava data system; add-on number 2 of the Presov [ZPA], the Jihlava Galvanovna; and the secondary professional study center at Kosire. At the same time, in 1985 8 projects were completed, with a total value of about Kcs 1.027 million.

Technical Development, Innovation Programs, New Products, Technical Sophistication; Quality, and the Improver's Movement.

The technical development plan for 1985 includes a total of 30 state tasks. To pursue these tasks plans are to allocate capital resources from the state budget in the amount of Kcs 448 million and to draw Kcs 925 billion from internal budgets.

In 1985 there will be a moderate decline in terms of prior years in the resources available from the state budget. This is caused by the fact that most of these tasks will be completed in 1985, so their costs are declining gradually. For the first time in this 5-year plan we will be able to cover in full requests for the financing of fully resolved tasks of the state R&D plan. Of a total of 30 state R&D plan projects being worked on, about 12 will be complete by the end of this year.

In the implementation of improvement suggestions results were obtained in this 5-Year Plan which were above the nationwide averages. We cannot be satisfied, however with the fact that over the above period of time only 78.9% of the adopted inventions, 86.4 percent of the adopted improvement suggestions, 62.8 percent of solved thematic tasks were utilized.

For 1985 25 new innovative tasks have been assigned with a total proposed level of compensation of Kcs 1.6 million, with work continuing on several tasks included in the 1984 plan as well. It must be stated, nevertheless,

that in a number of instances the proposed designs are not appropriate, and to criticize mainly the TESLA ES VHJ in Bratislava and the TESLA IE plant in OPrague. This latter VHJ proposed no new plans for 1985, nor did the TESLA VUST and the VUMA VHJ show an interest.

### International Cooperation

Socialist economic integration is playing an important role in the rebuilding of our production base and the achievement of greater economies of scale. Exports by our sector in 1985 are projected to reach Kcs 4.4 billion in all charges paid prices, with imports being planned in the amount of Kcs 3.5 billion in all charges paid prices. The proposed plan of socialist economic integration provides for 31 percent of the exports, and 64 percent of total sectoral imports. We have signed a total of 89 contracts with individual CEMA countries concerning specialization and cooperative production, which will account for 48 percent of total sectoral exports.

Currently our sector is testing the conditions of the shift to more involved forms of international cooperation, above all in terms of research-production and scientific-production associations, and joint ventures both with CEMA countries and with certain developed capitalist countries. Our sector has signed 9 contracts with developed nonsocialist countries, above all in the areas of consumer electronics, communications equipment, construction components, and high voltage electrical engineering, with negotiations proceeding on an additional 7 applications for cooperative ventures.

The components base must play a decisive role in the further development of the electronization of the national economy. We have signed intergovernmental agreements on mutual cooperation in this area with the USSR, Hungary, and the GDR, and we are further refining specialization agreements with all the CEMA countries, as well as establishing joint enterprises to manufacture integrated circuits with Hungary. We are still not being successful in matching the world trend that has arisen from the ongoing development of the product mix in this industry, i.e. assuring 40 percent of total requirements by internal production, with 60 percent being supplied by imports within the constraints of international exchange. It is in just this area that the international division of labor at the TESLA Roznov plant must play a decisive role.

The third area of basic focus for international cooperation and integration is the accelerated introduction of audio-visual equipment into the daily life of our society. It will be necessary to devote more effort, above all through the international division of labor, to assure the most rapid possible startup of production of an entire line of videorecorders, record players with digital recording and laser sensors, a new model of portable color television receivers and other products. We have still not been able to sign a contract regarding joint development between the USSR and TESLA SE in Bratislava, even while further cooperative agreements are being worked on with Poland. Closely related to this is the implementation of an international exchange of color picture tubes, whereby we trade our 26-inch and 22-inch tubes for 12-inch, 14-inch, and 16-inch tubes from the USSR, Poland and the GDR. We have set up a cooperative arrangement to make further improvements to the above picture tubes with the PLR.

## Development of Work Initiative

An important factor in the management of work collectives and the fulfillment of plan tasks is the development of work initiatives. In 1985 the development of socialist competition will be directed mainly at:

- saving fuel, power, and metal.
- increasing the role of the JMEP sector in the assurance of the national economic electrification program,
- assuring export targets, especially for innovative products;
- developing the conditions needed to reduce import intensiveness;
- assuring deliveries for the development of the Czech nuclear program and the fuel and power complex;
- fulfilling the plan for personal and social improvement;
- assuring deliveries for machinery and auxiliary sectors;
- assuring the production of consumer goods in the amount of 1 percent of the volume of goods produced.

## Guidelines for the Eighth 5-Year Plan

In the Eighth 5-Year Plan it is expected that the sector will grow by 164-167 percent, with the exception of a 124 percent average for general engineering. These percentages are necessitating a change in the structure of demand.

In line with this concept we are planning on the priority development of microelectronics, computer and automation equipment, measuring and laboratory instruments. The growth rate for individual VHI varies considerably. The index figures for good production run from 133.5 at the Prague ZSE factory to 244.7 for the TESLA ES factory at Roznov. Differentiation between divisions is still more striking. In microelectronics we are counting on an index of above 300. We are also proceeding with changes in internal sectoral structure.

In the Eighth 5-year Plan sectoral organizations will share in the tasks involved in all 13 proposed state priority programs. Those continuing from the Seventh 5-year Plan include: program 01 - Nuclear Power Development; program 02 - Improving Consumption Efficiency of Fuel and Power, and program 03 - Increasing Efficiency of Metal Consumption. Our sector is the general contractor for program 09 - the material and technical base for electronics.

The government has approved for this sector for the upcoming 5-Year plan a volume of work and capital deliveries of Kcs 25 billion. These are, however, the limiting conditions. The volume of construction work is limited to Kcs 5 billion. Machinery and equipment valued at Kcs 7-9 billion will have to be built by ourselves. Kcs 2 billion of this entire sum have been committed as

a reserve for rapidly repayable machinery investments and DNU. Strict adherence to the principle of efficiency is a clear and indisputable condition.

This is enough from the speech of Milan Kubat concerning upcoming tasks. The tasks are not small ones, but the sector of the electrotechnical industry is intentionally focusing its effort and resources on dealing with the major problems. The workers of this sector are aware that they are in the vanguard of critical changes in our entire economy. The electronization program, after all, touches the very roots of our economy, and has an impact on the efficiency of domestic production as well as the export production of our products.

This year is the year of an important political anniversary, a year of increasing effort and initiative on the part of all workers. Now it is necessary for everyone to perform good, conscientious work at his or her work station. This is what is so necessary for the Czechoslovak national economy to grow.

9276

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CZECHOSLOVAKIA

CHEMICAL INDUSTRY RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Slovak No 16, 1985 p 2

[Commentary by Ladislav Neubauer, CC CPCZ staff member: "Chemical Industry"]

[Text] In 1984, our chemical industry has successfully fulfilled the objectives of the plan. In honor of the 40th anniversary of the culmination of national liberation struggle of the Czechoslovak people and the liberation of our country by the Soviet Army, the chemical industry's workers and employees evidenced great activity and proved again the tradition of long-term fulfillment of objectives in this important branch of national economy. The results achieved during the past year belong among the best in the present Seventh Five-Year Plan.

In 1984, the chemical industry production of the CSR grew by 2.5 percent. The successful fulfillment of all objectives was confirmed at the final evaluation of economic results of industrial production units concluded without reservation.

In 1984, the EPU (Economic Production Unit) Chemopetrol continued its orientation toward more effective exploitation of crude oil semi-products by petrochemical processing. An upgrading of diesel oil with lower sulphur content and of gasoline with lower lead content was accomplished. Export objectives were highly exceeded. Last year the production in the EPU Unichem was affected by an accident in the n.e. VCHZ Synthesia. With effective help of higher authorities and mobilization of reserves in the EPU, it was possible to accelerate the renewal of equipment and substantially reduce the production losses. The plan, modified due to the accident, was fulfilled by the workers in all indicators.

The district enterprise EPU Lachema achieved excellent results during the first year of its existence. Particularly valuable is the increase in supplies and the innovation in the range of products for electronics and electro-technical industry, agriculture and health services. In order to accelerate the realization of the conclusions of the 8th session of the CC CPCZ in the domain of chemical specialties and small-scale chemistry, a research production association was established with the Czechoslovak Academy of Sciences (CZAS), the Institute of Higher Chemical Technology in Pardubice and the Institute of Higher Agriculture in Brno.

In the EPU Czech Rubber and Plastics Works, all objectives were fulfilled with success. With planned reduction of export, they have accelerated deliveries for the internal market and production consumption. The year 1984 signified a further increase of efficiency in the entire capital replacement process. The requirements of the Seventh 5-Year Plan in the domain of quality of production were fulfilled in 4 years in the n.e. Technoplast Chropyne.

During the past year, the chemical industry production in the SSR was increased by 4.9 percent. Higher outputs, smooth course of new production of elastic tubing, products for protection of plants, polyamide cables, cyclohexanone, increased manufacture of industrial fertilizers and tires, all this influenced favorably the overrun of objectives.

Through higher export effectiveness, the EPU Slovchemia highly exceeded its export goals. The sales at the internal market in retail prices were increased by 5.5 percent. In adjusted value added outputs, the EPU Slovchemia achieved a 15.5 percent growth rate; rentability and profits increased as well. A fast growth in the share of high technology products was achieved by n.e. Duslo Sala, Chemical Works of J. Dimitrov in Bratislava, Chemko Strazsko, Chemlon Humenne and other enterprises.

The 12th session of the CC CPCZ required from the chemical industry to reach a 3.3 percent growth rate in this year. It is an ambitious, but realizable goal. It requires to exploit more effectively the production base and to accelerate simultaneously the running-in curves of new production capacities introduced into the experimental production process last year. In the first half-year period of 1985, new capacities will be added. The following enterprises pledged to introduce the experimental production process: aniline manufacturing in n.e. Moravian Chemical Works in Ostrava, production of painting materials in the Paints and Varnishes Works Uherske Hradiste, acrylic acid - dispersion in n.e. Chemical Works Sokolov, electro-conductive black Chezacarb in the Chemical Works CSSP Litvinov.

Bad weather in January and February caused problems in the chemical industry as well. Thanks to a good production preparation for the winter period and a devoted attitude toward the fulfillment of tasks of the personnel, the chemical production continued without more serious equipment breakdowns.

In the Chemical Works CSSP Litvinov, Slovnaft Bratislava and Kaucuk Kralupy, there was operationally introduced the production and delivery of a motor oil with a solidification point of 35°C. The workers of Benzina and Benzinol devotedly secured under difficult condition considerably higher deliveries of fumigation oils.

The fulfillment of these objectives was made possible due to unperturbed deliveries of crude oil from the Soviet Union, despite the fact that the oil exploitation had to be accomplished under extremely cold temperatures.

At that time, the greatest problems for the chemical industry were caused by disturbances in the supply of some raw materials, as well as by limitations

and regulation of energy supply. The thus developed shut-downs of production lines in n.e. Spolchemie Usti nad Labem, Slovnaft Bratislava, SCHZ Lovosice and other factories lead to production losses and reduction of its efficiency, affecting the fulfillment of adjusted value added outputs and profits.

The preliminary results for the first quarter of 1985 show that the production losses were altogether balanced and that the share of the yearly plan should be accomplished above 25 percent. The fulfillment of qualitative plan indicators is however considerably lower. The accepted programs for accelerated equalization of shortfalls from the beginning of the year are orienting the chemical industry enterprises toward fulfilling the production selection and further reducing production costs. Also connected with it is the requirement of increased export efficiency and of overcoming of problems caused by price reduction of certain products on foreign markets.

In order to ensure and hopefully surpass the goals for 1985 and the requirements of the 7th Five-Year Plan, the workers and employees of the chemical industry have accepted worthy socialist pledges. The development of initiative of the workers in honor of the 40th anniversary of liberation is oriented toward crucial objectives of the plan.

In the epu Chemopetrol, the plan is characterized by high dynamics of qualitative indicators, in particular of adjusted value added outputs and profits. In the adjusted value added outputs, the EPU should this year ensure approximately one-sixth of the objectives of the entire area of responsibility of the CSR Ministry of Industry. Principal attention is therefore paid to technological development. Still during this year, the production of automobile gasoline with 0.25g/l lead content will be introduced and in 1986, a limited quantity of unleaded gasoline will be produced. In the CSSP Chemical Works Litvinov, a unit for crude oil processing is under intense preparation.

The workers of the EPU Unichem will surpass the total production indicator in the 1.5-day production and deliver extra products for agriculture, particularly herbicided and liquid fertilizers. Also in the d.e. EPU Lachema there will be a surplus production of 1.5-day resulting from economies; they are further innovating an assortment of goods in particular for electronics, agriculture and health services.

Similarly proceeding is also the EPU Czech Rubber and Plastics Works, where, in addition, they are trying to resolve the consequences of a fire occurred in the n.e. Mitas Praha. Based on the initiative of the personnel of n.e. Red October Otrokovice, Rubber Plant Ist of May Puchov, Rubena Nachod and Gumokov Hradec Kralove, it was possible to renew partially the production in n.e. Mitas. Help was also rendered by n.e. Matador Bratislava.

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HUNGARY

SUCCESSFUL ENTERPRISE LEADERS PRESENT VIEWS

Budapest HETI VILAGGAZDASAG in Hungarian 8 Jun 85 pp 4-5

[Article by Agnes Tibor: "Economic Policy in Enterprise Practice"]

[Text] Success Technology

The economic leaders and party secretaries of Hungarian enterprises on the rise and working effectively were invited to a national propaganda conference held in Gyor between 27 and 29 May to report on their experiences on the path leading to success. In what follows we report on a few thoughts from what was said at the conference.

There is no successful enterprise without a mature enterprise philosophy, a long-range strategy, a well working interest system, circumspect marketing work and work organization which builds on the workers' individual responsibility and willingness to cooperate. This is what came out at the national propaganda conference organized in Gyor between 27 and 29 May with the title "Our Economic Policy in Enterprise Practice," a conference organized by the agitation and propaganda department and economic policy department of the MSZMP Central Committee and the Gyor-Sopron County Committee of the MSZMP.

The audience, consisting of more than 300 university instructors, party and trade union functionaries, economic experts, propagandists and journalists, heard representatives for 22 enterprises and cooperatives describe the stations of the path leading to success, giving a taste of the means used in the interest of success.

It appeared from their reports that in the past few years success has meant primarily staying on their feet. The extent to which even this represented a task was detailed especially by the organizational director of the Danubian Iron Works and by the director general of the Alba Regia Construction Industry Enterprise. At the former enterprise the biggest problems were caused by the deteriorating external economic conditions, the crisis of ferrous metallurgy, and at the latter they were caused by a decrease in domestic demand.

The directors of Budaflax, Taurus, Medicor and Alba Regia and the party secretary of the MAT [Hungarian Aluminum Industry Trust] spoke in detail about



the importance of an enterprise strategy, about the thoroughness and discipline needed to develop such a strategy. At Taurus, in order to develop a strategy, they surveyed the short and long term possibilities of the branch, the limits of enterprise economic independence in the broad sense, the changes needed in the internal organization and the environment in which the enterprise would have to work. At Budaflax they are developing 17 themes for the strategic plan being prepared--including innovation activity, international cooperation, manufacture of new products, increasing the processing level of yard goods and building up new lines of business. The director general summed up the strategy of Alba Regia briefly and very clearly: "Concerning the parts needed for our products, we should buy the ones we can get and the ones we can't get we should make in a central place ; we should manufacture on the sites only what is worth making there; and we give up everything else--as far as possible."

The speakers devoted extensive attention to developing the internal interest systems. The director general of the Metal Workers Enterprise, the chairman of the Communications Engineering Cooperative and the chairman of the Second Ferenc Rakoczi Producer Cooperative in Vaja reported on the functioning of well proven systems. The director general of Taurus noted that earlier they had a fairly well working shares system there and something similar should be set up in the near future because the long-range interest of the enterprise council might be ensured well with the aid of such a system. Many attributed to non-material interest the same importance as material interest. They meant by this an identification with enterprise goals, developing a system of individual responsibility, independent management within the enterprise within certain limits, and an atmosphere which makes it possible to admit mistakes (the director general of the Paks Nuclear Power Plant Enterprise dealt with this in detail). As an example of the advantage of coming to an understanding with the workers the secretary of the party leadership at the Hungarian Ship and Crane Factory told how on one occasion an item was made with 6.2 millimeter sheet instead of 7 millimeter sheet. The customer lodged a complaint, but thanks to the good atmosphere the workers were made to understand at a workers' meeting that they would have to do the additional 6,000 hours of work.

A minor debate developed concerning the place or role of social work. The debate was prompted by an observation by the director general of the Skala Coop that one does not have to work in the capitalist or socialist way, rather one has to work well. A few of those commenting felt that the relationship among people and the relationship to work were parts of the concept of work and thus it is proper to distinguish between capitalist work and socialist work.

The speakers had contrary views about the effectiveness of domestic education. For example, the director general of the Skala Coop had a very poor opinion of the knowledge of university graduates; according to others, including the instructors, this statement should not be generalized. The director general of Hungarocamion admitted that he was in an advantageous position, because he teaches at a university and selects his cadres himself. But he called attention to the deficiencies of skilled worker training; for example, the schools here at home offer no training for international transportation. On

the other hand the director general of Raba definitely felt that the enterprises should again train the skilled workers if they were capable and willing to do so, because they know the trade and the requirements better than the schools do.

Enterprise independence is also a condition for good management, according to the director general of Raba. Let the trees grow to the sky, and cultivate the soil in which they are rooted. Another statement, with which many enterprise leaders agreed, coincided with this: The state cannot be rich where the enterprises are poor. The speakers took aim at the increasing enterprise burdens and again the director general of the Skala put it most pointedly: "One must not take even the seed away from the farmer." Others, for example the director general of the Metal Workers Enterprise, reported that central withdrawals had increased by 82 percent in 5 years.

There is no enterprise without risk, but it is not easy to find the optimal risk-profit ratio. For example, in addition to constantly conducted optimum calculations Hungarocamion feels that well cultivated partner contacts are a guarantee. But a flexible enterprise, taking risks, must have the right to make mistakes. The director of the Carbon Light Industry Enterprise, producing primarily for export, complained in this connection that a few months ago the superior agents had called him to explain his actions on account of a single series that was sent back due to quality objections.

Several speakers talked about what was to be done within the enterprise. For example, the director general of Medicor told how they were developing leadership culture there, the sort of contacts which had developed among units, the director general of Budaflax described the use of modern organizational methods and the organizational director of the Danubian Iron Works told of the development of a system of enterprises within the main work time. Every enterprise is seeking ways to reward those who work well. Only the chairman of the Communications Engineering Cooperative said that paying the creative people did not cause him a problem. Not all of the speakers supported the enterprise economic work associations, which do bring extra income to the workers. Budaflax and the Metal Workers do, for example, but Raba and Medicor do not.

The director general of Budaflax formulated a generally valid task when, speaking of entrepreneurial conditions, he said among other things that a good background industry, financial security, venture capital and a developed infrastructure were important requirements.

#### Good Examples

The agitation and propaganda department of the MSZMP Central Committee was one of the hosts of the Gyor conference. We asked Erno Lakatos, chief of the department, about the goals of the conference and about a few of the ideas brought up in the talks.

[Question] The conference had the title "Our Economic Policy in Enterprise Practice" but only the most successful managers were invited to report on enterprise opinions and enterprise practice and even they talked primarily

about this or that from the strategy leading to success. In your opinion, could this give a suitably realistic picture of the situation and problems of the enterprises, for an audience most of whom were not economic experts?

[Answer] When organizing the conference we started from a task formulated at the 13th congress, that we must increase the income producing capacity of the economy and must raise the standard of living of the people by improving economic work. The economy must be adjusted to these goals. In my opinion the capabilities of society are greater than what we are achieving. It was the goal of this conference to study, with the participation of leaders responsible for the economy and people responsible for politics, what we could do to increase the capabilities of society. We invited those who have proven by their own example that these congress goals can be achieved.

[Question] Why did you select just these enterprises and cooperatives? What, in your opinion, characterizes successful enterprises in Hungary?

[Answer] We feel that the experiences of these enterprises are worthy of attention in a broad sphere and that they can be made use of. They have proven by their performance that they are managing well, their products are in demand and can be sold with suitable profit. The results they have achieved in technical development, their market research work, their recognition of the situation, their entrepreneurial spirit and ability to assume risk are at a high level. A number of them struggled under difficult circumstances to reach the level at which they now stand.

[Question] It was said at the conference that these enterprises--at least a few of them--were in a more favorable position than the majority in the first place.

[Answer] None were in a better position from the viewpoint of material conditions or state support. But it is a fact that the majority of them work with a united staff of workers, they produce products which are in demand on the world market and guidance is in the hands of seasoned leaders.

[Question] The enterprise leaders who spoke made a few observations which were aimed at the guiders of economic policy. For example, a number of speakers felt that there was too little participation by the enterprises in planning some economic policy steps, a number noted in various ways that the theoretical foundation follows practice slowly. One speaker proposed greater openness for enterprise management and would have liked to have received support for this. What is your opinion about these ideas?

[Answer] The leaders of the enterprises have ways to express their positions at a number of important forums. A number of the leaders of the enterprises represented here are also members of the Central Committee and of other responsible bodies; many enterprise leaders are also National Assembly representatives, so they can express their opinions at many conferences. Much depends on their activity. So one cannot say that they cannot have a say in the development of economic policy. But--I think--it is self-evident that the regulators which provide a direction and framework for their activity cannot be established according to their wishes. As for the relationship of theory

and practice, there are matters to which answers can be given more quickly--and, unfortunately, there are few of these. In the present world, especially in the economy, we find problems for which there is no ready answer. I myself agree that the theoretical work should be speeded up. To answer your third question, the conference again proved that the enterprises do not know enough about each other. The people also are demanding more information. I agree that we should improve the providing of economic information with various tools--for example, with publications and prospectuses.

[Question] In your opinion, who will profit from what was said here?

[Answer] We have enterprises in two categories, in addition to those which are prospering. In one group we have those which are managing badly, the activity of which must be terminated sooner or later, with appropriate circumspection. In the other group we have those which, over the longer run, would be capable of catching up to the first, with some attention and by exploiting the reserves. In my opinion it is the latter which can profit most directly from what was said. I am thinking, for example, of a statement by the director general of the Metal Workers Enterprise, based on his own experience, that one does not have to send out 500 men to build something; 25 are enough, if they are well prepared. Or take the observation of the chairman of the Communications Engineering Cooperative that the embargo cannot put a stop to technical development. And, naturally, this applies to the idea that the enterprise should pay those who think and create. I think that this conference provided a useful guide for those working in education, who here met with the demands of the enterprises, and for those doing political agitation, who face greater tasks today than taking a stand for the good cause and enunciating principles.

[Question] What did this conference say to you?

[Answer] It provided useful experiences especially for a person dealing with information. There are also questions which appear to be fundamental and despite that fact we do not interpret them uniformly, so that the position of economic policy can be unambiguous. For example, there is the question as to whether we need large or small enterprises. Both have a place in the socialist economy. The question which may arise is whether it is more efficient to perform this activity in that branch at a given time in a smaller or in a larger organization. Similarly, whether there is a supply responsibility cannot be a subject for debate. Naturally there is, but in general it is not the responsibility of an individual enterprise. The question is how to make an activity, which is absolutely necessary from the viewpoint of maintaining supply, into an economical activity. There can be no doubt about the necessity of social work, but where it is needed must be made clear. It has no place in production; there one must pay for work; this is the only thing one can require. Really open questions also were taken up in some statements. For example, What can be done if the slow or weak work of cooperating partners holds back the activity of a successful enterprise? To what extent can one accept enterprise autarky in such cases? The conference was certainly persuasive in showing that it is very important that those doing propaganda work should be sensitive to the questions requiring answers. This is why we invited here a large number of the party's ideological and economic policy secretaries and Marxism instructors from the universities. Great tools for developing modern economic thinking are in the hands of the party.



HUNGARY

INNOVATIVE ECONOMIST LISKA INTERVIEWED

Budapest HETI VILAGGAZDASAG in Hungarian 8 Jun 85 p 55

[Interview with economist Tibor Liska]

[Text] Tibor Liska, one of the public "stumbling blocks" in Hungarian economic affairs in the 1970's, was born in Bekescsaba on 25 October 1925. He was to be a disciple of Sandor Karacsony, the philosopher and educator who aroused such different emotions between the two world wars, in Debrecen. From the fall of 1945 he was MADISZ [Federation of Hungarian Democratic Youth] secretary in Bekescsaba and then he was on the staff of VIHARSAROK, edited by Tibor Csere. In the fall of 1946 he organized the Gyorgy Dozza People's College in Budapest. In 1947 he was editor of the Peasant Party paper BEKES. Beginning in 1948 he was an economics student, and taught as well in his last year. Up to the spring of 1956 he led the industrial economics faculty at the Miskolc technical university.

In the summer of 1956 he was invited into the Ministry of Financial Affairs to organize the main pricing department of the ministry. In 1956 he was admitted into the MDP [Hungarian Workers' Party] and elected to the party leadership of the ministry. In 1957 he was discharged from the ministry. For 12 years he worked--as he puts it--on the periphery, at branch institutions. He was not long in any one place. In 1959 he won a competition, with entries submitted anonymously, with his study recommending a price system based on world market prices. "Criticism and Conception," containing his ideas connected with reform of the economic mechanism, appeared in KOZGAZDASAGI SZEMLE in 1963. In 1969 he was invited to the economic planning faculty of the Economics Sciences University as a scientific economics consultant. Here he dealt with convertability, with the third sector and with conditions for an economic balance. He left the university in 1975 but returned again in 1976. At the end of 1978 he was a chief scientific worker and later headed the enterprise research group. By 1980 he had prepared his first theses on socialist entrepreneurial theory and had made proposals for entrepreneurial experiments and for the VKP bank [Entrepreneurial Experiments' Bank] for them. Debates have been held and experiments organized in regard to this since 1981. In March 1982 he received a 3 year research commission from the Hungarian Academy of Sciences. His idea for a bidding system has been included, in part, and is being used in domestic contract operations.

Today the work of Liska is evaluated variously in economic circles. There are those who call him a utopian and a dreamer; others consider him a genius, a shining star and a self-consuming prophet.

[Question] You organized debates and started experiments which elicited debates and then--about 2 years ago--you disappeared. What happened?

[Answer] In the spring of 1983 I invited Norman Macrae, deputy editor-in-chief of the English weekly THE ECONOMIST, to Hungary. He looked at what we were doing, he liked it, and he wrote it up in his paper. Macrae's article had a great and favorable international response, but virtually no good word was said about our work in the domestic press. My difficulties accompanying the holding of debates increased in connection with Macrae's visit. It was then that I had my first heart attack, and soon after a second.

[Question] What, actually, did you want to prove, and to whom?

[Answer] I wanted to prove to economists, politicians and young people that in my opinion the science of economics--western economics as well as eastern--has been overtaken. We do not know the solution, but we must seek and experiment. And I wanted to prove to myself that my entrepreneurial theory could work in practice.

[Question] How far did you get in this proof?

[Answer] The Szentes experiment--a practical version of the theory achieved at the price of some compromise--is working today, according to my thinking, bringing greater income than before to the producer cooperative, to the entrepreneurs and to the state. But, for the time being, without any real possibility for further development or extension.

[Question] It is difficult to calculate how many jobs you have had. Did you leave some of them under external or internal pressures?

[Answer] The pretexts were various, the reasons the same--I always went farther in my thinking than they wanted me to.

[Question] Who limited the debates and the experiments?

[Answer] The impersonal and thus irresponsible bureaucracy. If anyone were able to answer the question more concretely than this then it would not have been necessary to ask.

[Question] With whom, among the economists, do you feel intellectual kinship?

[Answer] With several of them in certain respects. I agree with Marx most of all in regard to what he wrote about the unfolding of human capabilities and it is extraordinarily convincing how he foretold the development of state monopoly capitalism. In the work of Keynes I greatly respect his theoretical generalization of the system of state monopoly capitalism, and the entrepreneurial theory of Schumpeter is sympathetic to me. In Walras I like the idea of the auction market, in Adam Smith, Hayek and Friedman the idea of a free market, and in Hayek also the recognition that private property limits the freedom of the market. I consider it my task precisely to work out the path freeing us from these restraints.

[Question] Many of your admirers consider you a prophet. It is a fact that very few of the great figures undertake to predict, decades in advance, what direction the economy will go in, as you tried to do, for example, in "Criticism and Conception" or in your still unpublished "Econostat"--written in 1965. Does this idea of prophesy fit into your thinking?

[Answer] The devil wants to be a prophet! The poem by Arpad Lovy about the Prophet Elijah is not tolerated by the bad printer's ink of today as it was at the time of the Republic of Councils. So I can answer only by pointing up a shortened version: "But why do I, without a dollar to my name, remain a prophet... good God!"

[Question] What rights and obligations does your present university assignment involve?

[Answer] I have no rights, I do not belong to any faculty, I have no subordinates, because since March even the status of the research group is unsettled. But practically speaking my obligations are only to myself. I believe that many people would be happy if finally I were to do nothing.

[Question] Why don't you become an entrepreneur yourself, on your own hook?

[Answer] I do not agree with it on principle. If anything is senseless then it would be senseless to organize entrepreneurial research on a monopolistic or private basis. It would not be possible to do creative work as part of the second economy, on the side. In addition--if I were to become an entrepreneur on my own--I would have to acquiesce in being forced into the existing material and legal framework--regardless of what profit my work represented for society.

[Question] Could you make a living from entrepreneurial research?

[Answer] I could have done so already if they would let me.

[Question] How much salary do you get from the university, and how do you supplement it?

[Answer] I get 8,655 forints in hand, together with the family supplement and other supplements.

[Question] The debates started again 2 months ago, and there has been talk about founding the bank. I have heard that a couple of weeks ago your new partner gave up the cooperation. What happened?

[Answer] Who knows? The System Organizations Enterprise, which signed with me a research contract 2 months ago and from which I hoped to get a considerable sum to continue the research, informed me a few weeks ago that "it was not in their interest to continue our joint work" and so they are terminating the contract as of 31 May.

8984

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POLAND

## GOVERNMENT AGENCIES AIR VIEWS ON REFORM

### Planning Commission

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 19 May 85 p 3

[Text] At the beginning of the conference, First Deputy Chairman of the Planning Commission Franciszek Kubiczek stated that the leadership of the commission is guided in the reform process by the principle that economic mechanisms must be subordinated to economic policy. However, this does refute those who feel that economic policy must consider the limits of effectiveness that the individual instruments of reform are subject to.

F. Kubiczek discussed the postulate that the central levels of economic management must be reformed also. In his opinion, this should not involve any reorganization of the central organs. Branch ministries are necessary. Without their help, the Planning Commission itself would be unable to work out a five-year plan. On the other hand, it is necessary to change the methods used by the central administration to fit the general logic of reform. Intellectually, the reform has been assimilated by the central apparatus but in practice it continues to be unable to use certain instruments to regulate the economy.

F. Kubiczek stressed that the Planning Commission has undergone a substantial change in that it now functions more like a staff. In accordance with normative regulations, it has four functions: analytical, planning, systems organization and the coordination of planning with other CEMA nations. This change in character of the Planning Commission has resulted in the fact that that organization which together with all of its associated bodies (institutes, bookkeeping offices, etc.) employed 1950 persons in 1980 has now reduced its payroll to about 1257 employees. Within the commission itself, about 1498 were employed in 1980 while in 1985, there remained only 500 persons.

In the recent period, the commission's attention has been concentrated mainly on planning for the next five-year period. Undoubtedly, the quality of this document has been improved by the commission's work but that is only the beginning of the road and the list of needed changes is long. The most important shortcoming in the commission's work, according to F. Kubiczek, is its inability to calculate how efficiently planning and the setting of



programs are carried out. There is also a lack of proven methods for balancing the plan's substance with financial means and possibilities.

Difficulties are increased by the application to the plan itself of methods that are already being used fairly well to develop variants from pre-plan studies. From a point of view of the quality of work done by central planners, it will require more effort to coordinate the central plan with those of businesses. It is also necessary to improve the system by which the government places its orders with businesses. This should be developed into cycles for investment and introduction of new technology. It might become necessary to reduce the number of operations programs or the range of required mediation. In the realm of economic and financial instrumentation, the plan should be more realistic in the areas of wage funding, investment and foreign trade.

A discussion in which R. Pazura, W. Kostluk, S. Zawadzki, C. Stanczyk, M. Ostrowski and W. Roszewski took part concentrated on the shortcomings of planning. Stanislaw Zawadzki mentioned some very important problems in interpreting the wording of "variants in the concept of the national economic plan" included in the law on planning. Does this mean that it will become necessary in the future to present different concepts as it was in the three-year plan or use one concept with variants for its realization as has already been done in the 1986-1990 plan?

Marian Ostrowski said that progress in reform and the functioning of the Planning Commission are not questions of further establishing the identity of the commission. There is a similar opinion that the present state of the mechanism includes a large degree of individualized control and that there are few elements of self-regulation. For that reason, it is urgently necessary to work out a catalogue of areas and problems that cannot by their very nature be controlled by market processes. The creation of these two subsystems, the market and planning, would make it possible to make considerable progress in reform. He also warned against any dichotic division into spheres of economic policy and functioning by pointing out that this division is often perpetuated by organizational systems (such as the Bureau of the Government Plenipotentiary for Economic Reform and the Planning Commission).

Other participants pointed out the need to stabilize these economic parameters that have already proven themselves. This would make it possible for businesses to carry out more long-range policies. It was stated that we must finally break the enchanted circle of tax reductions and preferences that limits proper assessment of the influence that businesses have on their actual efficiency. In the area of foreign trade, it was pointed out that it is necessary to force through certain systems solutions that would gradually begin to give preference to profitable exports.

Minister Wladyslaw Baka said in conclusion that the economic changes initiated three years ago were characteristically comprehensive in nature and that this is often forgotten. This comprehensive nature concerns reform of the systems by which both businesses and the central authorities function. W. Baka very highly assessed the changes made in the Planning Commission, saying that they will satisfy the ultimate goals of reform. He stressed that we cannot forget

the lessons of the past in which the central authorities were responsible for reform failures. Therefore, it is necessary to very aggressively change the central planning structure.

W. Baka emphasized the fact that in spite of the many failures that have come under criticism, the Planning Commission is moving in the right direction. It throws off all attempts to cancel its staff nature but it is necessary to be aware of the fact that the commission will in the end be just like the system and that the system will turn out the same as the commission. For that reason, we cannot cease our endeavors to improve the work of the commission because so many problems still must be finally solved.

Among these tasks yet to be faced, W. Baka included the search for methods to bring economic policy in line with reform and he agreed with M. Ostrowski over the need to find lines of demarcation between the plan and the market. In Baka's opinion, it is generally necessary to have a good knowledge of the new economics created by the changes made to the economy's system of functioning. This requires not only ending the inconsistencies between real and financial processes or breaking the erosive circle of approbations and auctioning but also the creation of a broad analytical base and an understanding of phenomena in their total complexity rather than in an "averaged" manner.

#### Finance Ministry

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 18 May 85 p 3

[Article by T.J.: "Finance Ministry"]

[Text] A five-year conference was initiated by a speech by Vice-Minister Bronislaw Cias who recapitulated the new role given by the "Directions for reform" to the financial system in the management and work of the ministry which is aimed at allowing the financial apparatus and finances to best fulfill their new functions. He expressed his conviction that the ministry is organizationally well-prepared to implement further reforms. Over the last three years, practically all laws and legal provisions have been changed (some of them, several times). Legal regulation of the financial system has reached a state in which it is in principle fully established. Necessary changes only remain to be made in the balancing of the market and the flow of money and control of inflation. B. Cias also pointed out that consistent implementation of the hard money policy depends not only on the Ministry of Finances but also requires the support of the banking system above all.

A valuable introduction to the conference was given by Director of the Department of Construction and Transportation Financing Jan Marczuk, who in the name of the Economics Section of the PZPR Central Committee assessed the state of reform and presented some proposals for necessary changes to its instrumentation. This very interesting and critical speech did much to set the tone of ensuing discussion.

Director Marczuk suggested that all attempts at reform that have up to the present been made in Poland had one thing in common: they tried to strengthen the role of money and financial instrumentation in controlling the behavior of

businesses and of people and to motivate them to work more efficiently. This has never been successful because solutions not adapted to the new functions of financing in other areas have driven the financial system back to its old function, that is, redistribution by restricting the possibility of businesses having their own financial sources. This broke the system and undermined the credibility of reform.

J. Marczuk said that we are seeing similar symptoms today. Despite appearances, money is beginning to take a secondary role again while the financial system is only recording actual processes instead of influencing them. The basic cause of this is prices which are poorly formed and related. The worse the prices, the more the financial system must be oriented at alleviating them.

In the opinion of the Central Committee Economics Section, bad prices, extreme monopolization of management, a widespread producer's market and a poor system for setting wage hikes have altogether made money more available for businesses and this in turn has made it possible for businesses to achieve total financial self-sufficiency in the shortest time possible. Characterized by approbation, inconsistency and instability, the economic and financial system causes the allocation of money to often not satisfy social and economic preferences of the five-year plan.

As a result, two groups of businesses have come into being: those that are well-situated financially without being the object of any preferential treatment and those that are preferred but financially weak. It is this second group that continually demands tax reduction, financing and credits. The central authorities are pressured by this group to alleviate the hard money policy.

During discussion, criticism of the principles used to set prices and wage hikes took the forefront along with demands to rehabilitate profit as a primary indicator of business activity and stability.

With regard to the problem of pricing, it was demanded that consistent effort be made to set parameters and to abandon justified-cost formulas. The unrealistic nature of justified-cost formulas has been shown by extensive studies revealing how prices determined on the basis of justified costs are higher than previous prices. Although no one stated this expressis verbis, it was obvious that the old dream of equilibrium prices was again on most people's minds.

In answer to this problem, Minister Stanislaw Niecekarz rebuked participants for letting their thinking be guided by pure economics while forgetting that our economics are political in nature. In thinking about ideal pricing formulas, we must remember public resistance, he said. However, this does not undermine the correctness of Director of the Central Committee Industrial Department Edmund Cichowski's opinion that it is hard to [missing word in original] antimotivational solution such lowering prices "in return" for lowering costs or introducing innovations that can improve the profitability of a product.

The PFAZ [expansion unknown] system was recognized as the weakest link in the hard money policy. It was proposed that we reject any connection between wage hikes and netto production as a form of manipulation to connect worker salaries with profit. Jerzy Napiorowski, director of the Warsaw Treasury Chamber, suggested that the categories of net sales [illegible] from verification of financial balancing and controls are manipulable. He also described the frightful state of financial responsibility in business.

In hearing Director Napiorowski's statements, one can only feel surprise at the fact prosecutors are not investigating so many of Warsaw's businesses. This may be because the speaker did not mention that these firms were consciously doing anything illegal but that their financial and bookkeeping departments were unable to find their way through the undergrowth of increasingly complicated, detailed, contradictory and quickly-changing regulations on the licensing of net production and the calculation of sales (someone has defined this element as the beginning of the end of reform), computation of taxes and PFAZ taxes. Minister Nieckarz stated in conclusion that we can see how the tax pathology is beginning to cross over from private business to state-owned business.

As I have already said, the conference produced an unbroken stream of demands to simplify financial regulations and stabilize them. This would indicate that the building on Swietokrzyska Street is the leading producer of legal documents of a financial nature. A typical voice in this matter has been that of Director Cichowski who stressed the fact that we must not primitively understand the principles by which the center deals with certain phenomena, behaviors and events as unchanging or set but rather see them as established and consistent parameters.

With regard to the above, Minister Wladyslaw Baka said: "The system must be stable but it must also have mobility. I am a believer in stability but I am against petrification".

It must be admitted that Minister Baka is a rare master of this type of wording. Let us remember his well-known earlier aphorism concerning the very same problem: "As much change as is needed and as much stability as is possible".

The plenipotentiary expressed his conviction that progress in the three main overlapping fronts of economic reform has been uneven. This progress has been greatest in the achievement of more independence by business, unsatisfactory in improvement of the system and insufficient in restructuring of the central authorities. We cannot disregard the widespread opinion that the lack of any reform in the center has now become the chief hindrance to overall reform. It must, however, be understood that the functioning of the center is deprived of any theoretical basis. We are groping our way and are therefore making little progress. There are many visionaries but all of the visions are unfortunately very generalized.

The minister said that a process endangering the future of reform can be found in the increasing degree to which branch ministries are taking over the functions of mediating between the government and ministers and businesses.



"We must do something about this, not quickly as much as decisively, in order to once and for all eliminate the prospects of inconsistent mediation for the administration. We must be able to trust the mechanisms. "An urgent task for for the central authorities," said Minister Baka, "is to harmonize the economic policy of various echelons of the center".

Fears were expressed in the corridor that the creation of a new administrative structure would not be the recipe for success.

#### Foreign Trade Ministry

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 19 May 85 p 3

[Text] In a longer introduction to discussion, Minister Tadeusz Nestorowicz presented some of the system solutions in the area of foreign trade that were introduced at the start of 1982 and changes that were later made to them. He said that in creating the present mechanisms, it was necessary to consider all solutions used to reform the functioning of the national economy and especially the principles used to shape domestic prices, the tax system and the system of providing foreign-currency resources. He admitted that not all of the adopted principles used could be put into use.

Thus, for example, the principle that the price of gold should be set at a level that would ensure 75-85 percent profitability to export trade was not realized. The minister stated that the ministry is interested in increasing the role of hard currency in stimulating exports and therefore in the consistent realization of the provisions of Council of Ministers decree number 244 in this matter. There have also been propositions to set the price of gold at a level that will insure the profitability of 80 percent of exports with the exception of agricultural and food products.

The Ministry of Foreign Trade also proposed that further restrictions be placed on the use of official prices in computing foreign trade turnover. This would make it possible to overcome the problems caused by rapid growth of domestic prices in relation to transactional prices when gold prices are higher.

It is also necessary to increase the role of business self-financing through exemptions, resales and hard-currency credits. The portion of financed imports from hard-currency exemptions in total import trade in 1984 amounted to 14.2 percent and, together with the funds obtained by firms and organizations from other sources, 19.5 percent. It is also necessary to improve the system of material and technological support for export production.

In sum, the proposals for changes and improvements to the system of foreign trade that were announced by the director of that ministry do not satisfy the continuing changes. Many more radical recommendations and postulates were presented during a discussion in which about 20 speakers took part.

In the opinion of Director Palys of the Foreign Trade Ministry, reform in foreign trade is under way although still not all elements of that reform are

being carried out. He admitted that the economic policy is "correcting" some principles of reform but its basic elements have nevertheless been introduced. He included the criterium of profit as the main indicator of management success. He felt that it was also a great victory that the principle of a submarginal course had been adopted but he also admitted that this principle has not been put into practice.

The speaker sharply attacked those who believe that a real-course policy would cause intolerable inflationary pressure. In his opinion, the presently used method of correcting an unreal course is also a powerful source of inflation and therefore blurs it somewhat and really makes it impossible to carry out proper economic calculations in businesses and in the national economy. The Foreign Trade Ministry should therefore try to break the barriers preventing realization of established principles of course and pricing policy.

Representatives of foreign trade concerns expressed their great reservation concerning presently-used solutions although they did not in principle question their rationality but proposed some corrections. For example, they pointed out that in practice, the basis for assessing foreign trade business are the results of trade with the second-payments area while other criteria are not always clear and objective.

Director Szymanski of the "Rolimpex" firm pointed out that the basis for assessing foreign trade business is analysis of their performance of the plan. On the other hand, the Foreign Trade Ministry (in contrast to the treasury chambers) is little interested in profit, which is supposed to be the main indicator of economy.

The first secretary of Polservice's party organization proposed that prices should also be based on the results of franchising, achieved prices and the influx of hard currency. Controlling organs should consider the irregularities that they perceive in relation to adopted legal and organizational solutions that may really be the source of shortcomings.

In the opinion of Director Stefanski of "Ciech", control and monitoring have recently become more prudently used but he did admit that the Foreign Trade Ministry should form within itself a neutral commission able to objectively assess the amount of trade risk that must be accepted if foreign trade is to be conducted.

Much was said at the meeting about the financial situation of foreign trade firms. The majority of speakers felt that it was rather bad (Director Stefanski even spoke about the pauperization of these firms). This bad situation has been reflected in the low portion of private resources found within all used floating resources. According to data outlined by Director Maciag of the Foreign Trade Ministry, these amount to only five percent of the floating resources available to foreign trade firms while the rest is credit. This raises bank costs to 40 and sometimes even 50-80 percent of the total foreign trade costs for firms while for industry, they amount to no more than two percent of its costs.

The bank credit policy toward foreign trade firms was sharply criticized, especially the practice of using a higher interest rate for foreign trade firms than for manufacturing firms. Legal definition of a bank's controlling functions was suggested because banks often take the role of "braking" trade transactions.

Several speakers suggested that it is necessary to improve the system used to plan foreign trade. The end result of coordinating the plans of firms with those of the ministry is that as many tasks as possible are crammed in without making any final correlation between additional tasks and the means needed to carry them out. The time horizon for planning must be extended. It was also said that regulations on financing were too often changed and that this makes long-term planning more difficult and this is especially true of those regulations regulating the activities of business.

The IKC [expansion unknown] representative expressed his alarm at the fact that the changes to the system of functioning proposed for the coming five-year period continue to be nothing more than temporary measures. In his opinion, regulatory tools in foreign trade may not do anything substantial to change general economic conditions. We must therefore still make use of existing good solutions without losing track of the final goals of reform.

Director Sosnowski of the Foreign Trade Ministry pointed out some external factors that should be considered in establishing a system of functioning for Polish foreign trade such as membership in GATT [expansion unknown] and the prospects for changing the conditions of access to this organization and the chances of Poland's admission to the International Monetary Fund and the World Bank. This requires that our means of regulating trade be adapted to meet the needs for effective cooperation with these institutions.

Much discussion was devoted to the problems of cadres and cadre policy in foreign trade (cadre review, training and work with youth) as well as the development of worker self-management. The self-management bodies presently functioning in 12 out of 17 foreign trade firms fulfilled the conditions of the law on worker self-management. In three out of the five remaining firms, the workers have still not made the required initiative. The discussion gave much food for thought on further improvement of the system by which foreign trade functions.

#### Foreign Trade Chamber

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 19 May 85 p 3

[Text] Business representatives at a conference organized by the Lodz chapter of the Polish Chamber of Foreign Trade [PIHZ] said that the number of incentives for export trade have increased but that each one has certain shortcomings. It is hard to use ROD [expansion unknown] in making investment and equipment purchases for production of products for domestic sale. The system of rewards of the Foreign Trade Ministry does not encourage the stabilization of exports because these rewards are high only when a large export increment is accrued from year to year. This leads to a situation in which exports are cut every 2 or 3 years (so-called pulsed exports) because

this artificial methods is the only one that can produce a high "increment" and premium.

In the opinion of the representative of the Olimpia Hosiery Plant, rewards for exports amounting to about 300 zlotys per person monthly do not keep pace with the investments and capital spent on export (in this particular firm, exports amount to more than half of its output) because the labor-intensiveness of export production is greater than it is in the production of goods for the Polish market.

There were also given examples from various branches of foreign trade that show the random nature of tax reductions that instead of encouraging exports of finished industrial products give preferences to the export of raw materials. As a result, firms act as if there were a surplus of such materials. For example, the firm of Textilimpex is not interested in the production of small-lot series that are the most profitable in export trade.

The largest number of complaints were aimed at PFAZ. This was a boringly repetitious refrain. When a firm wants boldly increases its exports, it always ends up having to make such payments that the progression to PFAZ is exceeded and this takes up the company's entire profit and bankrupts it.

It is not everywhere equally easy to gain the funds needed to cover even high costs if the growth in exports is limited, even when the most effective export trade. It is simply a matter of avoiding any raise in wages that would lead to a sharp progression of PFAZ taxes. Export may therefore be inefficient and the paradox here is that the state is often ready to reward this poor business.

If, on the other hand, a firm wishes to act prudently and increase its effective exports while risking higher PFAZ taxes, the export profits turn out to be too small in comparison with the higher PFAZ taxes.

There were complaints that the Finance Ministry takes two-thirds of company profits as income tax and is at the same time very generous in financing the activities of ineffective businesses.

Participants demanded that the ministry begin to make advance notification of intended and planned changes in economic and financial mechanisms. It was stressed that the system must also be as stable as possible and that the rules be as scrupulously observed as possible by all sides.

Most businesses feel that the growth in export production should reduce a greater percentage of profits freed from PFAZ taxes. There were also those that believed in a so-called unlimited system.

Ryszard Strzelecki, vice-minister of foreign trade, informed the conference about various propositions and problems for further streamlining economic, financial and motivational mechanisms connected with export production. As his statements indicated, there have been proposed rewards for improved quality and efficiency that are stronger than those given to increased export trade.



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In one of the variants proposed, in order to make the greater labor-intensiveness of export production more profitable, there should be introduced reductions in PFAZ taxes amounting to about 15 percent of the quota of wages paid in this area. There are being developed some changes that will encourage development of a system of hard-currency self-financing for businesses that makes it possible to make broader use of ROD for realization of investment purchases.

#### Chemical, Light Industries

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 26 May 85 p 3

[Article by I.D.: "Ministry of Chemical and Light Industries"]

[Text] "One brotherly soul that you can embrace is the ministry. Everywhere else, there is someone who wants to take you in, trick you and take something from you. At least, that is the feeling among businesses," said Jerzy Reszka, director of the Chorzow Nitrogen Works and chairman of the Petrochemia Association Council at a conference in the Ministry of Chemical and Light Industries on 7 May. Representatives from several score factories were invited to the conference which the director defined as a general trial session. One of the topics of discussion was the financial situation of businesses.

According to the report by Vice-Minister Mironlaw Jedrzejczak, an ever-larger group of businesses that are correctly realizing their production tasks are having permanent difficulties in making payments. "Consequently, there has been a growth of predetermined obligations and responsibilities," said the vice-minister. He illustrated this as follows: in this ministry's businesses, development funds have increased this year by nearly 90 billion zlotys by using for this purpose about 52.1 percent of the profits achieved. From this figure, about 16.5 billion zlotys (about 19 percent) had to be given up by firms to be used for floating funds, 18.6 billion went to paying off credits and that left just the remaining 40 billion for investment. In the vice-minister's opinion, firms should have easier access to floating credits necessary for unhindered financing of needs. Two appeals by the vice-minister to the director of the National Bank of Poland have not changed the situation "...and there is no way of agreeing with the answer given that businesses should hold up deliveries of raw materials and semifinished products to other businesses lacking the means to pay for them," said M. Jedrzejczak.

"It is unthinkable for praiseworthy firms to have lasting financial difficulties," said Wacław Garbecki, director of the Economics Department.

The bank, under pretext of the hard money policy, limits credits and forces firms to ask for tax reductions and this undermines financial discipline.

The ministry's attack on fisc was supported by the director of the Chodakowskie Artificial Fiber Plant, Cezary Staniewicz. The financial results achieved by this firm last year amounted to 1,113,000,000 zlotys while the firm managed to keep only 13 percent of that figure, about 160 million zlotys, for itself. The development fund received 101 million zlotys.

"For that much money, you can buy only three continuous-spinning machines and we need more than 120," said the director. "About 63 percent of our machines are 100 percent amortized. We need more resources or our output of chemical fibers will fall. Even if we set aside all amortization today, that is no longer enough because we need to establish a restitutions fund".

The director did not say on which level that fund would be established but the vice-minister postulated that "...the creation on a ministerial level of centralized branch investment funds from budget grants or partly from the businesses' amortization deductions".

Professor Zdzislaw Sadowski added the following:

"There has everywhere been a cry raised over the lack of means to renew property and development. Everything that is happening is continual friction between two approaches: to leave more money within the firms or take it in order to redistribute it through a central budget. This is not a question of reform but ...of restrictions".

The professor was against "branching" tax reductions or investment grants but he did say that it was proper for the minister of a branch to have control of certain funds for development. He did not specify this idea and no one can be surprised. In the present situation, there is no way to "dot the i" before discussion of the coming five-year period.

It is just as hard to do so in other concerns such as wages or organizational structures.

With regard to wages, the vice-minister said:

"The greatest controversy is aroused by the principles used to establish funds for wages based on an incremental formula which in practice causes great gaps in the average levels of pay in different firms".

On the other hand, Jozef Worek, first secretary of the PZPR committee in the Tarnobrzeg Siarkopol plant felt that the incremental mechanism awards those who have "bungled": "Sometimes "bungling" is profitable because there are no objective parameters for creating wage funding".

The vice-minister said that we must authorize branch ministers to "differentiate parameters for creating wage funds and quotas free from PFAZ taxes". Jozef Worek claimed a comparable measure for wage hikes:

"Productivity and average pay are measured by two different standards. Productivity in comparable units and pay in nominal terms. Every year," he said, "there is a situation in which the level of pay in the first half of the year is a great unknown. The first and second quarters become very dramatic and people are very nervous and then a decision is made outside of the system to raise wages because things are looking good that year. Why do we have to put up with this?"

Professor Sadowski said that "from a macroeconomical point of view, the result is more than satisfying". However, he did admit that we must deal with a system, that is too clean. The solving of this problem through "branched" pay reductions for branch ministries and as one would expect, this has not aroused the professor's enthusiasm.

With regard to organizational structures, the vice-minister postulated nothing other than to ask:

"Do we not have to create conditions for the creation of socialist state-owned firms within which the businesses themselves would be able to undertake enterprises of a generally ministerial or generally national nature? The attempt to streamline this sector should not be interpreted as any restoration of mediating elements or an 'attack' on the independence of business or any effort to find better solutions for an important problem which is now being poorly dealt with". In his opinion, it is worth discussing whether development policy has been well served by the present organization of industry which is characterized by the following: the center and on the other hand hundreds of independent firms with scattered funds for development, with no concept or desire for centralization and without any possibility of working out a program for development.

The vision above of "atomized and independent financing", even in the light of what the vice-minister himself said from "one level up", speaking of the limited financial possibilities of firms, seems to be one that is more literary than economical. However, we do not have space here to editorialize.

Professor Sadowski said: "We must completely understand this question. Syndicates, yes, but as a common center for financing development rather than as an intermediate link". In the professor's opinion, businesses have at this moment very great possibilities for combining their development resources without any change of legal regulations. If anyone gives any thought to eventual legislative changes, it is to underline the need to combine these resources...

Resignation from intermediate links is a measure that is not free of certain "buts". Jerzy Bradecki, the director of the Metalchem Association in Gliwice made a very characteristic statement. He said that in June, exactly three years had passed since federations had been liquidated and it is still necessary to recreate something that might fill this hole.

"We must deal," he said, "with a grass-roots and self-perpetuating drive by business to rebuild this form of organization. There are very many people talking about this".

"Old friend, you seem to hear this talk because you want to" answered Director Reszka from Chorzow.

From all that has been said above, it can be quite plainly seen that the conference was not free of controversy. Many participants had differences of opinion over the mechanisms used for reform and the various types of stimuli.

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For example, J. Worek explained this, saying: "Half of all directors are continually involved in dealing with various affairs within the ministry".

#### Metallurgy, Machine Building

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 26 May 85 p 3

[Text] During the introduction to discussion, it was asked whether the central authorities of such an important ministry have really applied themselves to the needs of reform? The self-assessment (perhaps too general) of itself that the ministry made at the conference was positive. It was stated that it has realized the tasks set by the decree on the activities of the bureau of the minister of metallurgy and machine building. Among other information, the following data was given: the three sector ministries from which the Ministry of Chemical and Light Industries was formed employed about 1285 persons. Now the ministry's central bureau has about 712 employees. Since 1982, the number of full-time employees has increased by 60.

In the opinion of the director of one department, the ministry's tasks go beyond what its cadres can do. Along with this, the ministry is also not provided with the necessary means to meet its tasks. "Therefore," he said, "we would have to impose these tasks on the level of the economic center that has the means to implement them".

It was pointed out that even though the ministry is not responsible for planning, its participation in the preparation of central plans is rather considerable in practice. Meanwhile, regretfully, the course taken by the Planning Commission with its lack of synchronization of individual stages of planning makes it difficult for the ministry's planning cells to carefully work out proposals.

Generally speaking, the ministry directors positively assessed its cooperation with its subordinate firms. It is also interesting that none of the 25 firm directors invited to the conference made no observations on this matter. No one attempted to assess the working methods of the central ministry authorities. Both the ministry officials and directors were in full agreement during discussions.

"In spite of the fears that have been expressed for a number of years, it was stressed that reform is the economy's sole means of improvement. The positive role of worker self management was underlined," said the director of the Plock Harvest Machinery Factory, "and the worker self-management councils are not calling just for higher wages but also care about their firms and improving production output. Reform has begun to produce worker initiative but this positive phenomenon can be halted if the firms' field of maneuver is cramped and this is mainly because their ability to finance their own operations is limited".

The Plock Harvest Machinery Plant is systematically improving its output, both in net production and in exports. All of its products are of high quality. Its profits are also increasing from year to year but it has also had to pay higher income taxes and correct its base for PFAZ taxes and payments for



credits that were previously taken by the association. The profits remaining at the firm's disposal were two-thirds less than last year.

Too-high taxes cramp economic regeneration and make it difficult to slow down decapitalization of production property. It was proposed that businesses still be allowed to write off in full their amortization costs for machinery and equipment whereas the budget take in only part (which varies from branch to branch) of the deductions for the value of buildings.

The most criticism was levelled at backward policy for correction of the tax base for PFAZ. It was suggested that we return to the principles used before corrections were made and to also establish a tax-free threshold set at one-half of the degree of inflation.

Directors were alarmed by over-regulation of the system. One of them estimated that there are 3900 regulations affecting management activities. Despite such detailed regulation (and perhaps due to it), firms are still not evaluated on the basis of efficiency standards because the most attention is given to output or the dynamics of productivity.

Poor and deteriorating price relationships make it hard for firms to carry out proper economic choices. The recent limitations placed on pricing has had a particularly detrimental effect on the production of replacement parts and cooperative production in general.

Some of the speakers demanded the adaptation of mechanisms to the so-called particular problems and nature of the given branch but did not specify just what that was so supposed to reflect.

#### Mining, Energy

Warsaw ZYCIE GOSPODARCZE in Polish No 20, 26 May 85 p 3

[Text] Seeing how full the enormous auditorium was in the building at the intersection of Krucza and Wspolna Streets in Warsaw on 3 May, it was obvious that the mining and power industries have a great interest in reform. An assessment of economic reform made by Vice-Minister of Mining and Energy Janusz Bojakowski reached back into the sources of reform at the beginning of the 1980's. Systematically discussing each group of problems, the vice-minister specified the reform actions taken by the ministry over the past few years.

As could be expected, much attention was devoted by the speaker to the specific problems of mining and energy firms. According to Bojakowski, what they have in common is that they cannot be operated according to market mechanisms. These and other such factors have led the ministry to actively change reform principles to meet its own needs while still observing the law.

"The leading motive of all of our actions," he said, "was to find ways to improve central coordination and supervision of the actions of our businesses". This has been expressed in practice by certain system solutions that concern the range of authority of the ministry.

Mines, power companies and petroleum-and-gas refineries have acquired the status of public utilities and this has strengthened the ministry's authority over their planning so that the nation's fuel-and-power balance can be centrally controlled. Prices for mines and power districts have been equalized by using the principle of having the ministry itself set internal prices. The minister of mining and energy has been authorized to create a central fund for development and research. Central calculation of from income taxes was introduced along with separate regulations on how the mining, energy and natural gas industries are to create wage systems and figure their PFAZ taxes.

"As a result of these actions," stated Minister Bojakowski, "there has been a certain improvement in the ministry's ability to better adapt to the responsibilities it was charged with by the provisions of the law establishing the Bureau of the Minister of Mining and Energy".

The speaker also expressed the view that full use of production capacities in the coal-mining industry and the need cover the changing demand for power and natural gas as well as the rational management of energy make it impossible to connect any increment with the rise and fall of sales or to base worker pay on profits. For this ministry in particular, it would be a better policy to base pay hikes for its employees on those given in state-owned industry.

At one time, this problem was solved by annually determining pay hikes independently of PFAZ for individual branches of this industry.

"Such a system," said Minister Bojakowski, "has in recent years weakened existing preferences and it has now become necessary to restore them".

In 1985, the pit coal industry began to give an additional pay increment of 9 percent with a corrective factor of 0.8 (given a basic coal output of 186 million tons) that was free of PFAZ taxes. For state-owned energy companies and the firm of Polish Gas Mining and Natural Gas, the tax-free threshold was 9 percent and for the mining machinery and equipment industry, it was four percent with a factor of 0.8. For the energy machinery and equipment industry, these figures were four percent and a factor of 0.7. On the basis of its own authority, the Ministry of Mining and Energy set for individual pit-coal mining companies a threshold of from 5 to 14 percent free of PFAZ taxes while for the energy machinery and equipment industry, it was set from 0 to 6 percent with a factor of 0.5 to 0.8.

The next item of concern to the ministry was the improvement of organizational structures. On the initiative of the ministry, the unusual practice foreseen by the 25 September 1981 law on companies of grouping companies into obligatory associations began to be applied to the coal-mining industry, energy and mining machinery building and the mining and energy construction industry. In 1982, 14 such associations were formed, 7 of which were for pit-coal mining and one for brown coal. The Council of Ministers ordered the minister of mining and energy to cooperate with the government plenipotentiary for economic reform to work out the principles and bills for legal regulation of businesses working to manage fuel and energy.

"In view of lengthening period of preliminary agreements," said Minister Bojakowski, "action has been taken to further streamline organizational structures according to the present law". The result of this work was the formation of 13 companies.

Speaking of cooperation between the Ministry of Mining and Energy and other ministries, Minister Bojakowski expressed the opinion that under the present system of centralized management of the economy, there can be felt a lack of equilibrium between the responsibilities of the sector-and-branch ministries for development of their constituent branches and the power they have to really direct this development.

"He said: "The entire instrumentation of economic reform which is what in the end determines firms' ability to produce, the pace of their development, the structure of assortments and trends in the sale of products lies within the authority of the functioning ministries and the Polish National Bank. A characteristic of this instrumentation is its fiscal character".

Due to limited column space, allow me to select two statements. The director of Energomontaz-Polnoc and chief of council of the Energobudowa Association, Wlodzimierz Zukowski, stated that the specific problems of building an electrical power plant forces builders to work together and that is why the necessary obligatory association was formed. "The plusses," he said, "are efficiency and unity of action and good economy. One of the minuses is the lack of means to accomplish the goals of the association".

As the speaker stated, with the expiration last year of obligatory associations, a proposal was made to the ministry that would make it possible to replace them with another organization having a legal identity, centralized funds, etc. Director Zukowski said that construction firms being obliged to realize ministerial plans does not limit their independence because they are responsible for building power plants anyway. Director Zukowski also very firmly asserted that the PFAZ-tax factor of 0.5 which is supposed to be satisfactory is a good one for stagnating firms but not for those that have decided to make dynamic growth.

Adam Kilar, the representative of the firm, Polish Petroleum and Natural Gas Mining concentrated on describing the dramatic economic and financial situation of his organization and expressed the view that even modified reform will not make it possible for this branch to function harmoniously. With questions of a more general nature, he spoke about how the fundamental importance of of fuel and energy industries should be appreciated. The good name of these industries, as he said, should be protected against the sort of irresponsible media statements that undermine authority.

#### Cooperative Regulatory Agency

Warsaw ZYCIE GOSPODARCZE in Polish No 21, 26 May 85 p 3

[Text] The Central Union for Labor Cooperatives [CZSP] has recently repeated what has often been heard in the cooperative forum since about the middle of



1982. The principles introduced at that time for equal treatment of cooperatives and key industries has become, in the opinion of officials from worker self-management bodies, the final goal for reform in cooperative enterprises. This principle was introduced by the Council of Ministers Decree No 112 of 1981 which was preceded by the union's internal decisions giving greater independence to its constituent cooperatives and modifying the economic and financial system.

As it was said at the conference, skillful use of these powers has resulted in the fact that cooperatives did not see the sort of drop in production in 1981 and 1982 that key industries suffered and also increased their output faster than the latter. Chairman Wiktor Sielanko pointed out the changes in the union's organizational structure that were brought in with reform, changes in the structure of employment and the adaptation of production to market needs.

The labor cooperative is active in 13 sectors of the national economy and has a more than three-percent share in overall sales in the socialized sector and contributes 31 percent of consumer services. In comparison with industry, it is more dynamic. In 1984, overall sales from industrial cooperatives of the CZSP were 3.4 points higher and in the delivery of consumer goods, the cooperative exceeded the key industries by four points. Meanwhile, the average pay of 3000 zlotys deviated from the normal rate in socialized industry. This was one of the harsher truths that were not discussed at the CZSP conference.

The mechanism of PFAZ was most strongly criticized. There were renewed propositions that consumer services, investment and export production be entirely freed from this type of taxation. The same was also suggested in the case of taxes on sick pay, the amount of which is set independently of the cooperative and which has a considerable influence on their financial conditions. PFAZ payments continue to be a thorn in the side of the CZSP.

There were therefore formulated some changes to the principles of phase taxation with regard to the mean national or mean branch and correction to the base fund were proposed. Many remarks were also addressed to the Planning Commission and the MPPiSS [expansion unknown] during discussion of the ambiguous criteria used to determine PFAZ tax reductions. The chairman of the Lodz Union of Labor Cooperatives, S. Walczak, said outright that "Not objective reasons but one's power of persuasion are what decide whether or not any tax reduction is given".

During the conference, the suggestion was again made to lower (even as much as 15-20 points) the scale of income tax since in its present form it deprives cooperatives of such a large part of their profits that they have too little remaining for development. Cooperatives also cannot count on credit because, as they said, the bank, in accordance with its hard-money policy, most often gives preference to the large and powerful businesses than the more effective ones. Since the conditions under which investment credits are given are so restrictive that cooperatives cannot meet them, the situation as such can be saved by a development fund centralized on the level of the CZSP to which the member cooperatives have recently decided to give 20 percent of their net profits.



The chairman of the Krakow Union of Labor Cooperatives, J. Fijal, also pointed out the disturbing fact that financial regulations are being interpreted differently by the treasury chambers and the Central Office of Statistics. This is especially true of service activities that are subject to income tax reductions. For some time now, this has been disputed and has cost administration much time and energy.

This means that there has been a delay in carrying out the reductions in administrative in different levels of the labor cooperatives begun in 1981-1982. As Chairman W. Sielanko said: "There are signals that with regard to the system changes that have been made (particularly in the PFAZ taxes and prices) and the initiation of various forms of accounting for external units has made it necessary to create new full-time positions since their number was reduced during the first period of reform".

The subject of prices came up often during the course of the conference. Chairman of Council of the CZSP, Edmund Bernatowicz, stressed the limitations placed on the independence of cooperatives by the present practice of administratively setting prices. Even contractual prices that were supposed to oscillate around the equilibrium prices have become nothing more than a mere name. Not for the first time, there was a proposal to tax sales and subsidize retail trade rather than production.

Conference participants did not resign themselves to pessimism and decided to appeal to the responsible authorities to create the best conditions for the growth of labor cooperatives in order to counter the drop in employment and liquidate some forms of activity that encourage the regression in services. As one of the participants to the conference ironically suggested, the conclusions did not contain anything original. Unfortunately, they were a repetition of many early resolutions and postulates.

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POLAND

BRIEFS

**KATOWICE COKING PLANT GOING UP**--The initial phase of construction on the Katowice Works coking plant is underway. Construction-assembly work is proceeding according to plan. Batteries I and II are now under construction. Equipment has been installed in the coal plant division. The assembly of the so-called dry quenching facility is also in the advanced stages. [Text] [Warsaw RZECZPOSPOLITA in Polish 24 Jun 85 p 3] 8536

**IMF DELEGATION VISITS**--From 4-6 June 1985, a delegation from the International Monetary Fund visited Poland under the leadership of A. Whitome, director of the European department of this organization. Talks were held on current issues related to Poland's participation in the IMF. The delegation held talks with Finance Minister Stanislaw Nieckarz. It also met with Deputy Premier Manfred Gorywoda, chairman of the Council of Ministers Planning Commission. [Text] [Warsaw ZYCIE WARSZAWY in Polish 8-9 Jun 85 p 2] 8536

**POLE HEADS UNDP BOARD**--New York (PAP). PAP correspondent Ludwik Arendt writes: Approximately \$5 billion has been earmarked for 19887-1991 assistance to UN member states within the framework of implementation of the "Fourth Cycle of International Technological Cooperation" of the UN system. The administrative council of the UN program for development (UNDP), chaired by Polish representative Wlodzimierz Natorf, is examining questions related to the distribution of funds--voluntary monetary contributions, primarily from developed countries. Poland is one of the countries that benefits from the aid of the UN program for development. Between 1982 and 1986, the value of this aid will reach a level of \$3.3 million, earmarked to implement the "Polish domestic program." Out of these funds, we are financing over a dozen projects related to solving food problems, health care problems, questions of transportation development (the construction of a north-south superhighway) and coal processing problems. [Text] [Warsaw TRYBUNA LUDU in Polish 13 Jun 85 p 7] 8536

**POLISH-BULGARIAN COOPERATION COMMITTEE**--On 12 June, a meeting was held between the leaders of the Polish-Bulgarian Commission for Economic Cooperation--Deputy Premier Janusz Obodowski and Deputy Chairman of the Bulgarian Council of Ministers Andrej Lukanov. Assessments were made of the state of implementation of the decisions made at the 22nd session of the commission, including the development of production specialization and coproduction and trade between the two countries. Views were exchanged on the subject of the

progress made in efforts to coordinate plans for 1986-1990 between Poland and Bulgaria. Deputy Premier Lukanov also met with Deputy Premier Manfred Gorywoda, chairman of the Council of Ministers Planning Commission. [Text] [Warsaw TRYBUNA LUDU in Polish 13 Jun 85 p 2] 8536

POLISH, SOVIET INDUSTRY MINISTERS MEET--On 25 June, Deputy Premier Zbigniew Szalajda received the Soviet minister for the Construction Industry of Building Equipment, Highway Equipment and Municipal Management Equipment, Vitalis Chudin. During the meeting, in which Minister of Metallurgy and the Engineering Industry Janusz Maciejewicz participated, there was discussion of problems of production specialization and trade in the field of construction equipment, highway equipment and municipal equipment for the years 1986-1990, as well as of Polish-Soviet scientific-technological cooperation to modernize products that are coproduced. [Text] [Warsaw TRYBUNA LUDU in Polish 26 Jun 85 p 2] 8536

CSO: 2600/841

ROMANIA

NEED TO PROTECT GRAIN HARVEST AGAINST FIRES STRESSED

Bucharest PAZA CONTRA INCENDIILOR in Romanian May 85 pp 2, 8

[Article by Petre Leca, secretary of state at the Ministry of Agriculture and Food Industry: "Protecting the Grain Harvest: A Lofty Patriotic Duty"]

[Text] Following the implementation of the recommendations and guidelines issued by our party secretary general, Comrade Nicolae Ceausescu, at the working meeting on agriculture held at the end of the past year, at meetings with cadres employed in agriculture, and during his frequent visits to agricultural units, the working people active in the fields are intensifying their efforts to fulfill their commitments to achieve safe and stable crops and are determined to faultlessly discharge their obligations as stipulated in the historic documents of the 13th party congress.

Having at their disposal a sound material basis, and carrying out sowing and crop maintenance operations in a timely and appropriate manner, the working people in state and cooperative units are proving their industriousness and are determined to implement the valuable guidelines issued by Comrade Nicolae Ceausescu at the 6 May 1985 working meeting at the party Cenetral Committee.

At present, the working agenda of agricultural working people features a very responsible activity which also constitutes a lofty patriotic duty: beginning the grain harvesting at the optimal time and without losses. In connection with this action, eliminating the factors and circumstances that may cause fires is particularly important.

In view of the importance of the organization and unfolding of grain harvesting, county agricultural bodies, with the help and guidance of the party bodies and organizations, have already been initiating thorough preparations and carrying out intensive political-organizational actions to mobilize and unite the efforts of all the working people employed in agriculture, with a view to ensuring the best possible conditions for the grain harvesting.

On the basis of the recommendations of the higher party leadership, state and cooperative units have resolutely begun implementing the measures established to organize fire prevention and extinguishing actions on the basis of the



principle of self-protection against fires. Thus, great attention is paid to repairing and verifying the technical condition of the machines and equipment that will be used to harvest the crops, drilling the personnel in knowing and observing fire-prevention regulations, providing agricultural equipment with fire extinguishing devices, and so forth.

In the time left until the beginning of harvesting, both the county agricultural bodies and the managerial cadres of agricultural machinery stations, state agricultural enterprises, I.T.S.A.I.A., agricultural production cooperatives, and A.E.I. must responsibly work to appropriately fulfill their obligations in the current campaign, so that not a grain of the new harvest should be lost to fires.

Before the onset of the harvesting campaign, all the machines and equipment that will be used to harvest, transport, and store the crops must be checked and set in place. Along this line, special attention must be paid to combines, tractors, trucks, and other agricultural machines and equipment. Last year, because of careless repairs performed on machines and equipment (faulty electrical installations, fuel leakages due to faulty sealing, exhaust devices that did not work, etc.), and because certain acceptance commissions released the due papers without properly checking the technical condition of agricultural machines and equipment, the agricultural machinery station Teaca, Bistrita County; the state agricultural enterprises Gira Mare and Drivari farm, Mehedinti County; the agricultural machinery station Zimbor, Salaj County; the state agricultural enterprise Urziceni, Ialomita County; and the agricultural production cooperatives Calinesti and Malu Mare in counties Teleorman and Dolj had to pay the price for fires that broke out on agricultural machinery and on cultivated and stubble fields. In order to preclude the repetition of such situations, it is prohibited to allow in the fields faulty agricultural machines and equipment, machines lacking the regulation fire-extinguishing devices, and machines that are not accompanied by acceptance papers attesting quality repairs and operational safety. Both combines and tractors, and hay baling trucks and presses must be driven only by qualified personnel drilled in specific harvesting procedures and possessing certificates issued by the commissions established for this purpose in each unit.

The experience of past years shows that performing running tests on the machines is very important for preventing fire-causing problems. These efficient technical tests must be responsibly carried out both on combines, trailer tractors, and trucks, and on hay baling presses, gathering and stacking machines, and crop conditioning and siloing machines.

At the same time, in order to properly organize the harvesting, self-protection measures must be taken well in time for the entire duration of the summer agricultural campaign. Thus, resolute steps must be taken to implement the fire prevention and extinguishing norms issued by the Ministry of Agriculture and Food Industry and the regulations recently issued by the ministry leadership, and firm measures must be taken to ensure: reinforced watching and supervision of the fields (during the ripening period), particularly in the neighborhood of forest roads and industrial, social-cultural, and tourist facilities; appropriate organization of fueling and

maintenance sites for agricultural machinery; buffer strips between the fields and roads, forests, and railway tracks; delimitating and equipping sites for mobile workshop teams, and for eating and smoking; providing work sites with plows, disk harrows, and fire-extinguishing posts that can be easily moved when the agricultural machines move to another field; complete familiarity with the duties of fire prevention and extinguishing team members organized according to self-protection sectors, and so forth.

As is known, it is very important to thoroughly train the personnel employed in grain harvesting, transportation, and storage. Until now, only the managerial staff of agricultural units, farm heads, and the members of technical commissions and of volunteer fire-fighting teams in agricultural units and areas received such drilling. In view of the importance of this action, the personnel directly involved in grain harvesting, transportation, and storage (mechanics, drivers, working people in agricultural state and cooperative units, etc.) must be further drilled in learning and precisely observing fire prevention and extinguishing norms. Similarly, all teaching-educational means that have proved their efficiency--wall displays, fliers, small exhibitions, radio broadcasts, relevant movies, central and local press articles--must be intensively used, and stress must be placed on preventing fire-generating factors such as: faulty sealing of machine fuel devices; faulty electrical systems on combines, tractors, and trucks and improvised repairs that may cause short-circuits; smoking and open fires in dangerous places; children playing with matches, etc.

In order to ensure optimal conditions for carrying out the harvesting campaign at the optimal time and without any losses, including losses caused by fires, the county agricultural bodies are obligated to thoroughly inspect the units belonging to them and to ascertain the implementation of the measures established by the leaderships of agricultural machinery stations, state agricultural enterprises, I.T.S.A.I.A., agricultural production cooperatives, and A.E.I.; they must also provide help for efficiently resolving any problem that has not yet been solved. Similarly, all activities must be geared on strict observance of the provisions of articles 962-1000 and 1016-1035 of the norms of the Ministry of Agriculture and Food Industry, and must be carried out in close cooperation with county teams of fire-fighters and with the managerial staff of specialized organizations (the Romanian Railroads, the Automotive Transportation Enterprise, and I.C.A.P.P.A.) which are involved in the harvesting, transportation, and storing of the new harvest. This action requires not only practical activities and permanent awareness of the situation in the fields, but also resolute measures to establish complete order and discipline and a great sense of responsibility for all duties throughout the duration of the grain harvesting and storing operations.

Enjoying the support of local party and state bodies, the working people employed in state and cooperative agricultural units are determined to responsibly organize and carry out the harvesting, transportation, and storing of the new harvest and to put all their energy in fully utilizing the machines and each working day and hour, so that nothing should be lost of the rich

field crops. They are aware of the fact that this is their contribution to fulfilling their pledge to our party secretary general, Comrade Nicolae Ceausescu, to do everything possible to achieve better, plentiful, and stable agricultural yields, in keeping with the requirements of the new agrarian revolution, and with a view to fully meeting both consumer needs and the other requirements of the national economy.

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